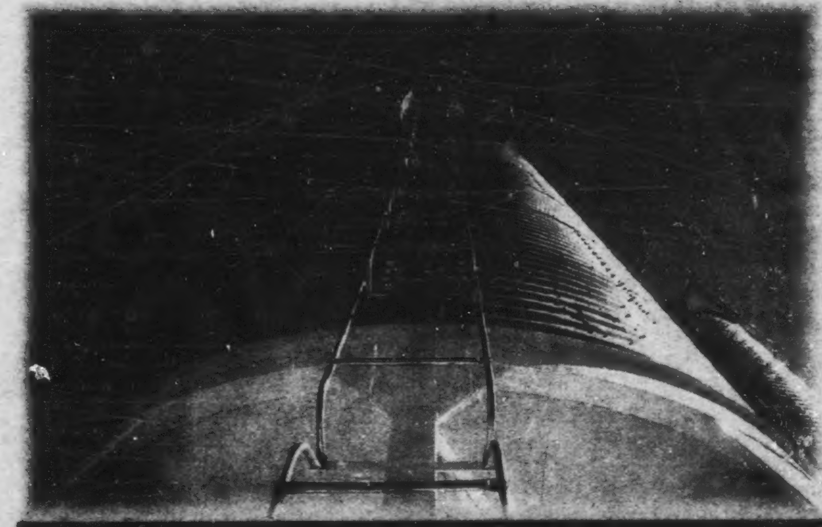
ALBERTA AGRICULTURE, FOOD AND RURAL DEVELOPMENT

ANNUAL REPORT



2000-2001

Alberta
AGRICULTURE, FOOD AND
RURAL DEVELOPMENT

Preface

Public Accounts 2000-2001

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 18 Ministries.

The annual report of the Government of Alberta released June 2001 contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the *Measuring Up* report.

On March 15, 2001, the government announced new ministry structures. Since the 2000-2001 fiscal year was substantially completed prior to this announcement, ministry annual reports and financial statements have been prepared as if the restructuring took place on April 1, 2001, to provide proper accountability for the 2000-01 fiscal year against the original business plan.

This annual report of the Ministry of Agriculture, Food and Rural Development contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Agriculture, Food and Rural Development, regulated funds and provincial agencies for which the Minister is responsible,**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report, and**
- **financial information relating to trust funds**

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Minister's Accountability Statement

The Ministry's annual report for the year ended March 31, 2001, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 12, 2001 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

Shirley McClellan

Shirley McClellan

Deputy Premier and
Minister of Agriculture, Food and Rural Development

September 12, 2001

Message from the Minister

Agriculture is a vital part of Alberta's economy and way of life. Both the primary and value-added sectors of the industry offer wonderful opportunities, and our job in government is to make sure producers can take full advantage of those opportunities.

Despite the ongoing challenges for many producers and processors, last year still resulted in some record performances. Farm cash receipts from livestock set a new record at $4.45 billion, up 13.6 per cent over 1999. In addition, Alberta net cash income expressed as a per cent of Canada's net cash income increased to 22.3 per cent, up from 15.8 per cent in 1999. And the total value of food and beverage shipments in 2000 rose to $9.19 billion – an increase of $1.1 billion (13.7 per cent) over 1999, the largest increase ever recorded.

These successes were shared by Ministry staff who worked hard to see that the business plan goals to assist the industry were reached. Outside influences slowed the achievements for some of the performance measures: poor weather and lower margins in agriculture were significant factors. In addition, even though both primary and secondary agriculture combined grew by about 11 per cent, the strength of the energy sector in increasing the gross domestic product exceeded agriculture's contribution.

Accountability also rests in an assessment of the Ministry's financial performance. Ministry expenses were almost $130 million higher than budget, but this figure was due primarily to the introduction of the supplementary Farm Income Assistance Program payments. Increased participation in the crop insurance program combined with the poor weather conditions meant higher insurance expenses for the Ministry as well. A full discussion of these financial results can be found in the Discussion of Results and Performance section of this report.

In my role as Alberta's Deputy Premier, Premier Klein has asked that I have the responsibility of representing rural interests at the Cabinet table. And as a farmer and the former Associate Minister of this portfolio, I certainly understand the pressures producers and processors are under. I am committed to listening to and working with Ministry clients to help them stay competitive as well as develop rural Alberta's terrific potential.

Shirley McClellan

Shirley McClellan

Deputy Premier and
Minister of Agriculture, Food and Rural Development

Management's Responsibility for Reporting

The Ministry of Agriculture, Food and Rural Development includes:

- *Department of Agriculture, Food and Rural Development*
- *Crop Reinsurance Fund of Alberta*
- *Agriculture Financial Services Corporation*
- *Alberta Opportunity Company*
- *Alberta Dairy Control Board*
- *Alberta Grain Commission*
- *Farmers' Advocate*
- *Irrigation Council*
- *Agricultural Products Marketing Council*
- *Land Compensation Board – for fiscal 2000-2001*
- *Surface Rights Board – for fiscal 2000-2001*

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Agriculture, Food and Rural Development. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgements. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control that give consideration to costs, benefits and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations and properly recorded so as to maintain accountability of public money,
- provide information to manage and report on performance,

- safeguard the assets and properties of the Province under Ministry administration,
- provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Agriculture, Food and Rural Development any information needed to fulfil their responsibilities, and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

Brian Manning

Brian Manning

Deputy Minister
Ministry of Agriculture, Food and Rural Development

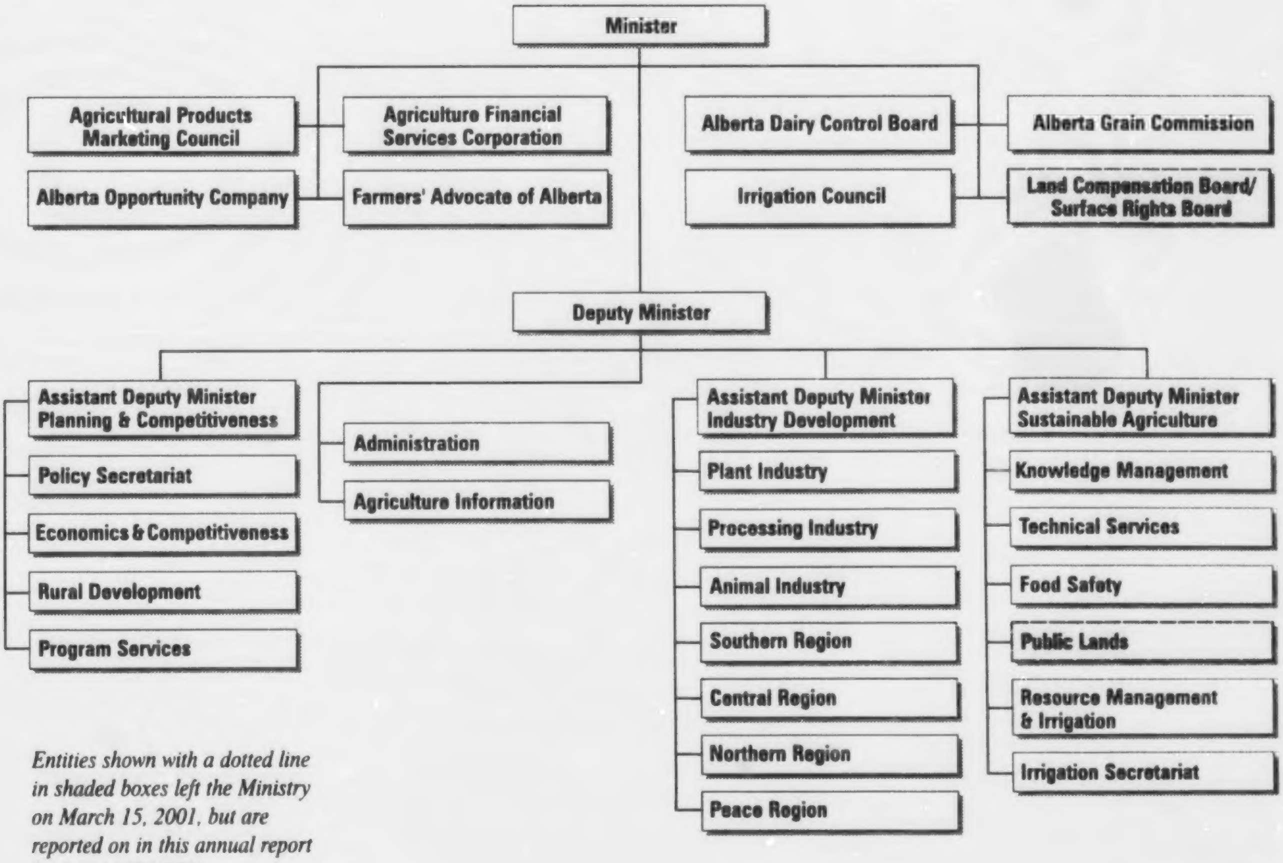
September 12, 2001

Overview

Section 1

Chart of Ministry Entities

March 31, 2001


Minister
Agricultural Products Marketing Council
Agriculture Financial Services Corporation
Alberta Opportunity Company
Farmers' Advocate of Alberta
Alberta Dairy Control Board
Alberta Grain Commission
Irrigation Council
Land Compensation Board/ Surface Rights Board
Deputy Minister
Assistant Deputy Minister Planning & Competitiveness
Policy Secretariat
Economics & Competitiveness
Rural Development
Program Services
Administration
Agriculture Information
Assistant Deputy Minister Industry Development
Plant Industry
Processing Industry
Animal Industry
Southern Region
Central Region
Northern Region
Peace Region
Assistant Deputy Minister Sustainable Agriculture
Knowledge Management
Technical Services
Food Safety
Public Lands
Resource Management & Irrigation
Irrigation Secretariat

Entities shown with a dotted line in shaded boxes left the Ministry on March 15, 2001, but are reported on in this annual report for fiscal 2000-2001. These entities are now part of Sustainable Resource Development.

Entities – Ministry of Agriculture, Food and Rural Development

Department

The Ministry is divided into the Department of Agriculture, Food and Rural Development and a number of agencies, boards and commissions. The Department is responsible for the management of programs designed to facilitate the development of all phases of the agriculture and food industry, to sustain the natural resource base of the industry and to encourage the development of rural communities. Visit the Ministry web site at http://www.agric.gov.ab.ca

Policy Secretariat

#301, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2070

Communicates and interacts with all segments of the Ministry, agriculture industry and other governments to effectively meet the needs of the Department for strategic planning, program planning, policy research, analysis and development in various areas. Coordinates departmental responsibilities on regulatory review, performance measures, environmental and resource planning, among others.

The Secretariat provides ongoing analysis, evaluation and recommendations on national and international trade policy developments and assists industry on trade negotiations, legislation and trade disputes.

Economics and Competitiveness Division

#303, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-7311

Provides economic data and analysis expertise to assist Alberta industry optimize growth opportunities in agri-food products and services. Functions include applied economic business analysis, competitiveness studies, benchmarking/forecasting source data as well as analysis of emerging industry trends. In collaboration with Economic Development, the Division has created a new, enhanced capability to identify opportunities in the global marketplace. Together, the Departments continue to provide timely market information to Alberta exporters, producers and processors.

Rural Development Division

#201, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2409

Promotes community-based, economically sustainable rural development by directing and coordinating programs and by recommending policy in the following areas: 4-H, Green Certificate, employment experience programs, home study, agriculture in the classroom, agricultural service boards, agricultural societies, agricultural development committees, farm safety, rural development, agricultural business management and risk mitigation.

Program Services Division

#306, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 422-9167

Responsible for the delivery of several farm income assistance programs, Farm Fuel Benefit Program, Alberta Farm Credit Stability Program, Feeder Association Loan Guarantee and disaster compensation under the federal Disaster Financial Assistance arrangements. Also responsible for negotiating and managing federal cash flow requirements under federal/provincial safety net agreements and managing Alberta's obligations under specific federal/provincial bilateral companion agreements.

Administration Division

#307, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2151

Responsible for all revenues and expenditures, development and review of financial systems and procedures, coordination of the budgetary process and coordination of facilities required for the working environment of departmental staff.

Develops and administers human resource programs (staff and organization development, occupational health and safety, classification and compensation, recruitment and selection, employee relations and pay and benefits administration) to advise and assist line management in achieving its strategic objectives.

Provides effective support services to the Department in the area of electronic data processing development, maintenance and use. Some of the above functions were transferred to the Alberta Corporate Services Centre in 2000-2001.

Agriculture Information Division

#100A, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2127

Responsible for the planning, development, organization and evaluation of communications programs including publishing, multi-media, executive communications, corporate communications and freedom of information and protection of privacy. Also administers the Ministerial Action Request System. Library services became part of the Alberta Corporate Services Centre in 2000.

Plant Industry Division

#304, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-5341

Directs and coordinates programs and policies supporting the development of a viable and sustainable crops industry in Alberta. Through research and technology development and transfer, the Division ensures access to competitive technologies, marketing opportunities, diversification of crops and the sustainability of the agricultural resource base.

Processing Industry Division

#304, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-3166

Responsible for developing programs, policies and services to encourage the growth, diversification and competitiveness of the agricultural, food and feed processing industry.

Animal Industry Division

#204, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2166

Coordinates and directs the development, administration and delivery of programs and policies to support the sustainable production of animals and animal products, including research and technology transfer for livestock, poultry and aquaculture.

Regions

Offices in the four regions are responsible for applied research, the delivery of information, technology transfer and skill development. Services are provided to producers, processors, farm families, industry organizations, commodity groups, municipal authorities, agri-business and the general public. Industry Development sector staff provide a broad range of specialized information services and support services.

Southern Region

Lethbridge Regional Office
Ag Centre, Bag 3014
Lethbridge, Alberta T1J 4C7
(403) 381-5130

Central Region

Red Deer Regional Office
301 Provincial Building
4920 - 51 Street
Red Deer, Alberta T4N 6K8
(403) 340-7611

Northern Region

Barrhead Regional Office
Provincial Building, Box 4560
Barrhead, Alberta T7N 1A4
(780) 674-8264

Peace Region

Fairview Regional Office
Provincial Building, Box 159
Fairview, Alberta T0H 1L0
(780) 835-2291

Knowledge Management Unit

#307, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 422-1821

Coaches, mentors and facilitates Department staff in ways to improve their knowledge and information management practices to enhance the collective ability of staff to provide timely and valuable information, products and services to the Department's clients.

Technical Services Division

#204, 7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-0674

Directs and coordinates programs and policies to support the growth of the agriculture industry through research, testing and evaluation of equipment, application of legislation and technical standards to confinement livestock production and assuring an infrastructure is in place to support quality water supplies for domestic and livestock use.

Program areas include animal welfare, engineering services and confinement livestock operations as well as communication and liaison related to industry expansion issues.

Food Safety Division

#300, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-6159

Provides leadership and support for safe food production systems and global market access for Alberta's agriculture and food industry through information, services and administration of legislation.

Includes partnership in food safety emergency response; support for development of on-farm production protocols; assistance with Hazard Analysis Critical Control Point program implementation for slaughter and food processing plants; inspection of provincial slaughter plants; dairy farm inspection; food safety surveillance, animal health surveillance, soil and crop surveillance; research into food safety, animal health, crop and soil issues and provision of essential non-routine diagnostic services.

Public Lands Division (transferred to Sustainable Resource Development effective March 15, 2001)

#200, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-3595

Responsible for program direction and the day-to-day management of approximately 10 million acres of public land in the settled area of Alberta. Works with Alberta Environment, who administer the *Public Lands Act*. Manages the high demand for the use of public land through integration of multiple use on public land with the assistance of resource agencies, disposition holders and the public.

Services are delivered from the Public Land Management Branch in Edmonton and regionally through five regional offices and 22 district offices. The majority of the Public Lands offices are amalgamated with other departmental offices to provide "one-window" service for all the Department's clients.

Resource Management and Irrigation Division

#206, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 422-4596

Provides policy advice and oversees the planning, delivery and evaluation of irrigation management and development as well as environmentally sustainable agriculture programming.

Program areas include soil conservation, water and air quality, greenhouse gases and climate change, irrigation development and management as well as resource conservation. Also manages the Alberta Environmentally Sustainable Agriculture program.

Irrigation Secretariat

#328, Provincial Building
200 - 5th Avenue South, Bag 3014
Lethbridge, Alberta T1J 4C7
(403) 381-5176

Provides administrative support to the Irrigation Council, administers the Irrigation Rehabilitation Program and works with irrigation districts to ensure compliance with the *Irrigation Districts Act*.

Agencies, Boards and Commissions

Agriculture Financial Services Corporation

Lacombe Central Office

5718 - 56 Avenue
Lacombe, Alberta T4L 1B1
(403) 782-8200

Camrose Central Office

4910 - 52 Street
Camrose, Alberta T4V 4E8
(780) 679-1311

Agriculture Financial Services Corporation (AFSC) delivers a wide variety of risk management products and financial services to fit the business needs of farmers and agri-business owners in Alberta. By offering unique financial products and services not provided by others in the industry, AFSC helps with the management of production and income risks associated with agriculture.

AFSC provides crop, forage and hail insurance, plus waterfowl and wildlife damage compensation, to help Alberta farmers protect against production losses on their farms. AFSC also administers the Farm Income Disaster Program, a whole-farm safety net program that compensates for disastrous declines in farm income.

Farm and agri-business financial services include the provision of farm loans and business analysis services for beginning and developing farmers, financial counseling, disaster financing for those facing disastrous reductions in farm production or income, and the facilitation and sourcing of financing for companies in the agri-food and value added industry.

AFSC produces a separate annual report.

Alberta Grain Commission

#305, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-7329

Provides continuous review of all facets of the grain and oilseeds industry in Alberta for the purposes of recommending policy. Provides a daily grain price information service.

Alberta Opportunity Company

5110 - 49 Avenue (P.O. Box 4040)
Ponoka, Alberta T4J 1R5
(403) 783-7011

Provides loans and guarantees up to $1 million to viable small and medium-sized Alberta businesses unable to obtain financing on reasonable terms and conditions from conventional lenders.

Alberta Dairy Control Board

Provincial Building
5201 - 50 Avenue
Wetaskiwin, Alberta T9A 0S7
(780) 361-1231

Administers the *Dairy Board Act* and regulation, hears appeals from the dairy industry and generally provides an independent sounding board for the dairy industry. Formulates policy recommendations, initiates legislative changes and formulates procedures that govern the dairy industry in Alberta and Canada.

Irrigation Council

#328, Provincial Building
200 - 5th Avenue South, Bag 3014
Lethbridge, Alberta T1J 4C7
(403) 381-5176

Makes recommendations to the Minister on irrigation district related matters. Approves expenditures under the Irrigation Rehabilitation Program and monitors irrigation district activities as outlined in the *Irrigation Districts Act* (proclaimed May 2000).

Agricultural Products Marketing Council

#305, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2164

Provides assistance, advice and support to marketing boards and commissions and to commodity groups interested in establishing a board or commission. Delegates powers to boards and commissions, under the *Marketing of Agricultural Products Act*, to accomplish their stated objectives in the areas of research, market development and promotion.

Land Compensation Board/Surface Rights Board

(transferred to Sustainable Resource Development effective March 15, 2001)

18th Floor, Phipps Mckinnon Building
10020 - 101A Avenue
Edmonton, Alberta T5J 3G2
(780) 427-2444

Land Compensation Board

Responsible for the administration of the *Expropriation Act*. Initiates and implements Board policies, initiates legislative changes and formulates rules of procedure.

Surface Rights Board

Responsible for the administration of the *Surface Rights Act* and Part 2 of the *Expropriation Act*. Initiates and implements Board policies, initiates legislative changes and formulates rules of procedure.

Farmers' Advocate of Alberta

#305, J.G. O'Donoghue Building
7000 - 113 Street
Edmonton, Alberta T6H 5T6
(780) 427-2433

Provides the Minister with information on issues concerning rural Albertans. Works closely with agricultural interest groups, Alberta Environment, Resource Development, Municipal Affairs, Infrastructure and other levels of government to formulate policy recommendations and procedures that affect the rural community. Provides dispute resolution services, advice and information to individual farmers or agricultural associations on issues that impact rural Albertans. Administers the *Farm Implement Act*.

Funds

The **Crop Reinsurance Fund of Alberta** is under the provisions of the agreement between the Province and the Federal Government, and the Agriculture Financial Services Corporation reinsures the risks. Two separate Reinsurance Funds are set up. One is a provincial reinsurance fund called the Crop Reinsurance Fund of Alberta and the other is federal, called the Crop Reinsurance Fund of Canada for Alberta. A basic reinsurance premium equal to 15 per cent of the total premiums collected is paid into each of the above two reinsurance funds. Reinsurance funds kick in when there is a deficit in the Crop Insurance Fund at the end of the fiscal year.

Operational Overview

Ministry's Core Businesses

The Ministry contributes to the government's three core businesses: people, prosperity and preservation. Alberta Agriculture, Food and Rural Development's primary focus is on the second core business: prosperity – working with others to promote prosperity for Alberta through a strong, competitive agriculture and food industry that is sustainable and environmentally responsible.

This primary focus is reflected in the mission statement:

We will enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

Each of the eight Ministry goals contributes to the achievement of this mission. These accomplishments constitute the role of Alberta Agriculture, Food and Rural Development in contributing to the Government of Alberta's 26 core performance measures, as shown in the Results Analysis section in this annual report. Following this presentation of the Ministry's role is a comprehensive discussion of the Ministry Goals and Performance Measures for the fiscal year 2000-2001.

Major Ministry Functions

- *applied research*
- *technology transfer*
- *regulatory*
- *industry development*
- *risk management*
- *lending*

Functional Review

The departmental functional review was undertaken to ensure that staff and budget resources were allocated in a manner consistent with the Department's goals and the overall direction of government. The extensive review resulted in sixteen pages of recommendations. These recommendations included a wide range of continuous improvement opportunities covering each and every sector and division.

The functional review determined that departmental resources support the direction and core businesses of government. As well as continuing the implementation of the recommendations, the Department will review this information base whenever there is a significant change in the Department's strategic direction.

Award for Innovation

Staff also shared in the success of the Alberta Government, which was recognized through the Gold Award for Innovative Management presented by the Institute of Public Administration in Canada (IPAC). This significant award recognizes the innovative management practices the Government of Alberta has been employing, and all ministries are proudly displaying the IPAC logo.

Government of Alberta
2001 IPAC
Gold Award
for Innovative
Management

Ag Summit

The broad-based industry consultation **Ag Summit 2000** involved over 1,500 participants in a five-month process and identified issues affecting the productivity, profitability and environmental sustainability of the industry. Phase I of the process came to a conclusion in fall 2000 with the issuing of the *Catalyst for Growth* document.

One major outcome was the creation of action teams to address the highest priority issues raised during the summit process. Another outcome was the formation of the Agrivantage Group, a coordinating group of ten industry and government leaders. This group's role in Phase II of the process is to provide leadership, support and encouragement to the action teams in the formulation of recommendations, options and/or initiatives to address issues identified through the Ag Summit process.

Division/Agency Changes

On March 15, 2001, the Government of Alberta announced new ministry structures. As a result, the Ministry's Public Lands Division as well as the Surface Rights Board and Land Compensation Board all became part of Sustainable Resource Development.

However, since the 2000-2001 fiscal year was substantially completed before the announcement was made, the Ministry annual report and financial statements have been prepared as if the restructuring took place on April 1, 2001. As noted in the Preface to this annual report, this presentation was adopted to provide the proper accountability for the 2000-2001 fiscal year against the original business plan.

Overall Ministry Operations and Services

Here are the overall Ministry budget and actual operating results for all the Ministry's entities:

Actual Results Compared to Budget

(millions of dollars)

	2000-2001 Budget	2000-2001 Actual	1999-2000 Actual
Revenues	$310	$323	$453
Expenses	707	837	832
Excess of expenses over revenues	**397**	**514**	**379**

The following two pages provide summary highlights of the Ministry's 2000-2001 results:

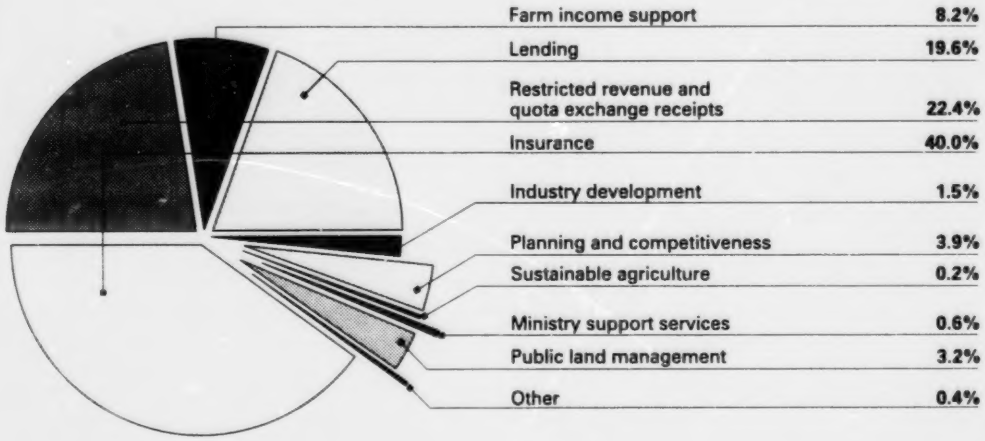
- *financial highlights showing Ministry revenues and expenses by program*
- *summary performance measures highlights*

A full discussion of both the financial and performance measures results is presented in the Results Analysis section of this annual report.

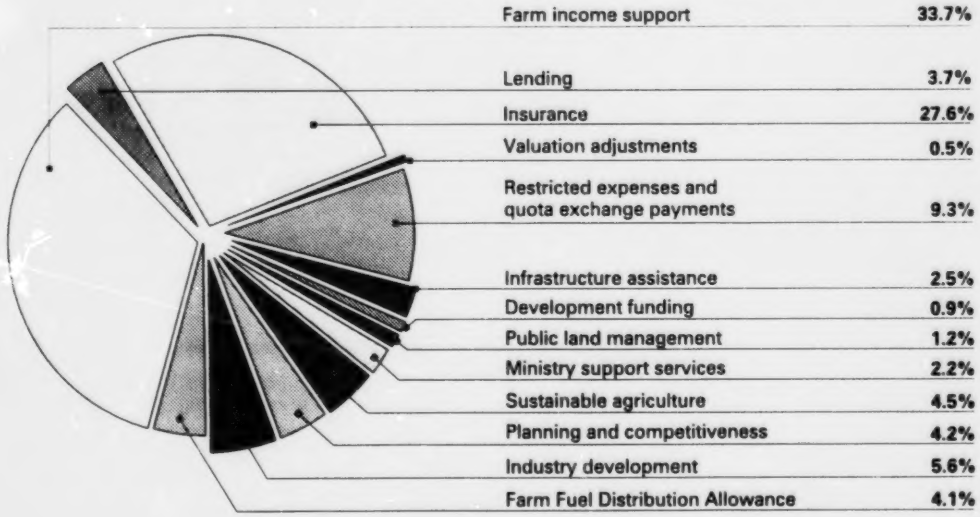
Highlights – Financial and Performance Measures

Financial

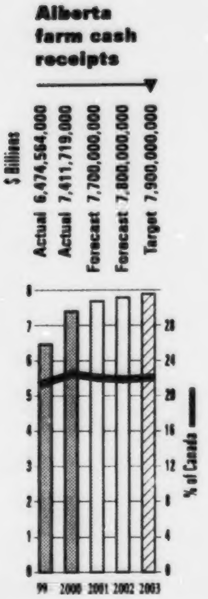
Revenue by program
(percentage)



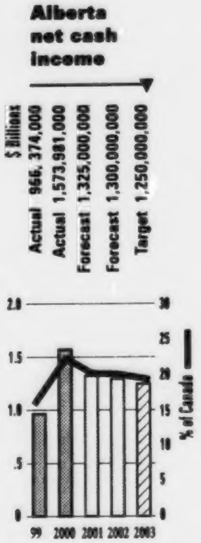
Expenses by program
(percentage)



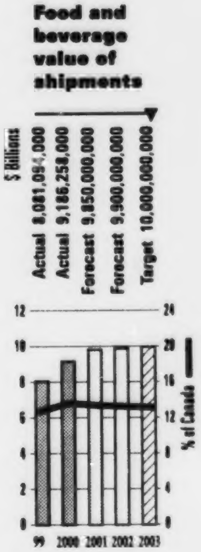
Performance Measures



Measure 1

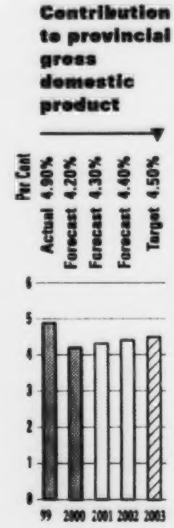


Measure 2

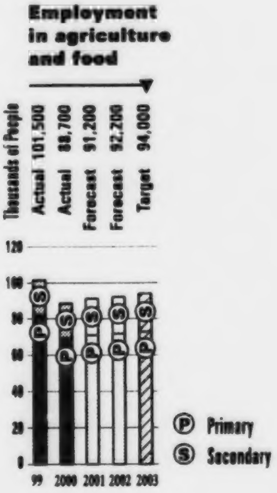


Measure 3

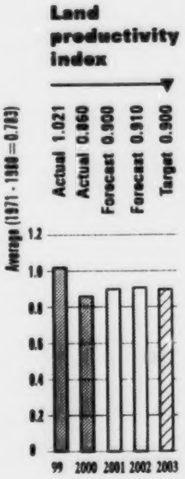
▨ Actual or estimate
☐ Forecast
▧ Target
▬ % of Canada



Measure 4



Measure 5



Measure 6

Results Analysis

Ministry Goals

Role of the Ministry

The Ministry of Alberta Agriculture, Food and Rural Development has a direct or indirect effect on 19 of the government's 26 core performance measures, as identified in the 2000-2001 ***Measuring Up*** document (***Measuring Up: Seventh Annual Report on the Performance of the Government of Alberta***).

- *export trade*
- *resource sustainability*
- *gross domestic product*
- *intergovernmental relations*
- *family income distribution*
- *skill development*
- *provincial credit rating*
- *heritage appreciation*
- *cost of government*
- *taxation load*
- *job growth*
- *land quality*
- *water quality*
- *air quality*
- *accumulated debt*
- *business innovation*
- *value added industries*
- *infrastructure capacity*
- *workplace climate*

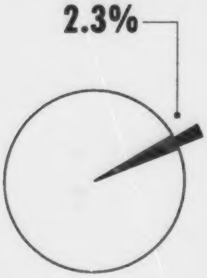
Ministry Goals

The eight Ministry goals for the 2000-2001 fiscal year show the focus on Alberta Agriculture, Food and Rural Development's (AAFRD) core businesses.

Goals

1. *Improved capacity to respond to opportunities for growth.*
2. *Improved competitiveness of industry commodities, products and services.*
3. *Increased amount of value added to industry commodities, products and services.*
4. *Increased diversity of commodities, products and services.*
5. *Increased capability of industry to manage risk.*
6. *Improved environmental stewardship.*
7. *Continued excellence in food safety.*
8. *Improved management of the Ministry's resources.*

Goal 1
Percentage of Ministry operating expenses



Ministry Goal #1

Improved capacity to respond to opportunities for growth

Measure #1

Reduction in barriers to growth

Strategy

Increase competitive intelligence, strategic information and knowledge for use by industry.

Results

- Ag Summit 2000, a major industry consultation, involving over 1,500 participants identified issues affecting the productivity, profitability and environmental sustainability of the industry. Action teams were created to address the highest priority issues. Another outcome was the Agrivantage Group, a coordinating group of 10 industry and government leaders that provides leadership, support and encouragement to the action teams.
- Helped industry and government work towards removing/reducing constraints and influencing policy/programs to enhance efficiency, profitability and environmental sustainability of the industry.
- Information about agriculture, direct market knowledge and opportunities was increased for farmers through the publication of agricultural statistics as well as commodity market updates and analysis to increase profitability.
- Reduced trade irritants through scientific assessment and information. For example, scientific assessment has shown that feeder cattle from approved areas of the U.S. can be brought into Canada without disease risks to the cattle industry. The result has been the Canadian Restricted Feeder Cattle Entry Program that continued to be a success during the review period.
- Collaborative research agreements with the University of Alberta positioned Alberta's industry to capture greater market share. Last April, for example, the Alberta government committed up to a $1 million in funding for the development of a livestock feed research centre at the university. Further, a new chair in Environmentally Sustainable Agriculture was established at the University of Alberta with the support of the Ministry.
- The Game Livestock Tracking System, completed in partnership with Alberta Innovation and Science and the Canadian Imperial Bank of Commerce, provides industry with an efficient and effective tracking system.
- Alberta's agri-industry will benefit from the completed electronic program "Pesticide Selector." Farmers use the program to help in the selection of the appropriate pesticide or herbicide to use on the pest(s) or weed(s) they would like to eradicate from their crops.
- Broadened industry and Ministry awareness of market threats and opportunities through competitive intelligence studies including *Global Biotechnology Industry Development Strategies, Chile, Agricultural and Pork Industry Profile, Competition for the World Honey Markets* and *Governance Applications for Alberta's Emerging Agri-Food Research Community.*
- Information on food safety programs in Australia and Minnesota was used to enhance Alberta's Quality Assurance System for pork.
- Key issues, opportunities and challenges of Alberta's horticulture industry identified by industry representatives during consultations provided important planning input to industry and the Ministry.
- An evaluation whether local county resources can take on more of the local planning and delivery of extension efforts to enhance growth opportunities within the beef industry was the result of the cooperative pilot Forage/Beef Extension project.
- The Canadian Pulse Research Strategy (Pulse Canada) used input gathered through Ministry networks.

- Leadership provided by the Field Crop Development Center contributed to a significant increase in hulless barley and triticale use in food and industrial products.
- Increased stakeholder awareness of animal health and food safety issues was enhanced through media interviews, participation in seminars, the *Animal Health Forum* publication, as well as through multiple reports and articles.
- The Ministry's profile within the agri-food industry as well as with the public and scientific communities was raised through facilitating presentations, publishing scientific papers, producing various disease surveillance reports and facilitating an applied epidemiology course for staff, veterinary practitioners and other government personnel.

Strategy

Support industry's needs by providing input to trade negotiations.

Results

- Joint federal/provincial work on ongoing trade negotiations under the World Trade Organization, Free Trade of Americas and the Canada-Costa Rica Free Trade Agreement resulted in a national position that largely reflected Alberta's views.
- In collaboration with other governments, successfully opposed legislation proposed at the U.S. state level that would have created obstacles to market access for Alberta's agricultural exports.
- In collaboration with other departments, provided recommendations to the federal government for the responsible international trade of genetically modified organisms and the application of precautionary principles in managing risk in multinational agreements.
- Developed a national consensus to help resolve provincial restrictions on imitation dairy products that have led to interprovincial trade disputes.
- Historical sugar beet production costs and returns information developed by Ministry staff was the cornerstone of a successful Canadian International Trade Tribunal review of anti-dumping on European Union and U.S. refined sugar.
- The implementation of a trade compliant Contracted Export Milk mechanism was the result of work completed by industry and government.
- Increased awareness of livestock industry in both Canada and the U.S. of bluetongue and anaplasmosis through feedback to the federal government on proposed policy and policy changes to the Canadian Cattlemen's Association Bluetongue 2000 Policy, the U.S. Industry's Chronic Wasting Disease policy and the Canadian Food Inspection Agency's proposed Reportable Disease legislation.
- An Alberta Cervid (elk/deer) Import Policy resulted from the collaborative work of industry and Ministry staff.

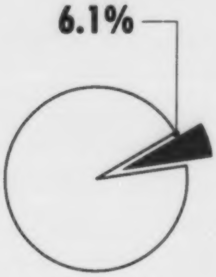
Strategy

Create a policy environment to optimally utilize human and natural resources.

Results

- Agreement signed with the Government of Chile for Agriculture Financial Services Corporation to provide counseling service on designing and administering a national crop insurance program; funding from the Canadian International Development Agency was obtained for program design.
- To speed up the federal government's Agricultural Income Disaster Assistance (AIDA) payments to Alberta farmers, the Agriculture Financial Services Corporation, on behalf of the AIDA administration, processed the additional entitlements under AIDA to Alberta farmers for the 1999 claim year. Claims already processed for payment under the Farm Income Disaster Program were reprocessed applying AIDA rules to determine any additional payments under AIDA. More than 5,400 claims were processed and nearly 1,900 applicants were paid $11 million--an average of $6,000 per applicant.

Goal 2
Percentage of Ministry operating expenses



- Under a contract with AIDA administration, the Agriculture Financial Services Corporation processed British Columbia's Whole Farm Insurance Program claims for additional entitlements under AIDA.
- The Agriculture Financial Services Corporation provided claim processing and consulting services for British Columbia's whole Farm Insurance Program for the 1999 claim year, the third year in a row. More than 670 claims were processed for British Columbia.

Strategy

Strengthen industry capabilities and skills in responding to international trade disputes and/or help overcome trade constraints.

Results

- A new dairy export system consistent with Canada's World Trade Organization commitments resulted from partnership work with the Alberta agri-food industry.
- Collaborated with industry on several food safety surveillance projects to demonstrate to trading partners that Alberta is free from such diseases as bovine spongiform encephalopathy in cattle, chronic wasting disease in cervids, S. *pullorum* in poultry and others.
- International trade and food safety concerns were addressed through the development of awareness and knowledge of Johne's disease, chronic wasting disease and other projects.
- Industry and the Ministry worked to overcome trade issues for the meat processing and rendering industries.
- Provided the regulatory component of the voluntary Chronic Wasting Disease Surveillance Program.
- Whirling Disease Risk Assessment completed to identify import protocols for salmonids.
- Legal response presented to the World Trade Organization trade challenge against the dairy industry by New Zealand and the U.S.
- Provided assistance to private sector diagnosticians and gathered information on the disease status of Alberta's livestock populations. Conducted nine disease investigations.

Ministry Goal #2

Improved competitiveness of industry commodities, products and services

Strategy

Increase awareness of agriculture among Albertans.

Results

- Provided $1 million in support to Growing Alberta: a program of the industry-led Agriculture and Food Council. The program raises public awareness about the benefits of the agriculture and food industry.
- Two City Slickers' Harvest events were held in Airdrie and Stony Plain involving 2,200 urban grade school (Edmonton and Calgary) students in a total Agriculture in the Classroom, hands-on experience.
- Alberta achieved the largest 4-H enrolment in Canada at 8,600 members.
- Summer Farm Employment program provided Alberta youth with opportunities for farm work and other agricultural career experience where 384 youth aged 15 to 24 worked on farms, 45 veterinary students and 20 animal health technology students worked in veterinary clinics and 26 post-secondary students worked in agricultural processing businesses.
- Agriculture Financial Services Corporation provided corporate sponsorship support to Growing Alberta.
- The Ministry Internet website, "Ropin' the Web," has been independently classed as pre-eminent among provincial government web sites and is recognized as one of the best educational sources on the web. The average usage of the site has increased from 1.3 to 1.7 million sessions per month.

Measure #1

Alberta food and beverage industries' value of shipments

Strategy

In partnerships with industry organizations, universities, other government ministries and Agriculture and Agri-Food Canada, support and undertake evaluations of alternative technologies to improve competitiveness.

Results

- A feasibility study for the proposed Alberta Centre for Greenhouse Technology and Innovation at Redcliff by a consortium of the Red Hat Co-op, Town of Redcliff, City of Medicine Hat, Prairie Farm Rehabilitation Administration, Entre-Corp, Alberta Agriculture, Food and Rural Development, and Alberta Economic Development supported the construction of a commercial-scale research and demonstration greenhouse.
- A cross-government effort developed an overall life science strategy designed to move agriculture from a commodity-based production to more production of higher value nutritional and nonfood products.
- Research in partnership with the Winter Wheat Commission, Ducks Unlimited, industry and the applied research associations has resulted in winter wheat becoming a viable option for parkland area farmers.
- In partnership with Agriculture and Agri-Food Canada, the Ministry completed the development of an irrigation demonstration farm near Lethbridge to encourage faster commercialization of new irrigation technologies and cropping practices.
- Bilateral agreements were negotiated and Industry Development Funding agreements (crop, livestock and diversified livestock) were developed, including the formation of Industry Development Fund committees and the development of a structure for funding delivery.

Strategy

Advocate on behalf of industry to other levels of government to bring about changes that improve their competitiveness.

Results

- Provided input to the Technology Road Mapping exercise developed by Industry Canada to look at the opportunities for life sciences in Canada.
- Successfully negotiated an amendment to the National Milk Marketing Plan. The amending formula allocates industrial quota on the basis of population (90 per cent) compared to the previous formula allocation on historical share.
- The Alberta Grain Commission advocated for a voluntary wheat and barley marketing system. A November 2000 poll of 11,000 prairie farmers indicated that 75 per cent (81 per cent in Alberta) want the ability to sell their grain to any buyer, including the Canadian Wheat Board.
- Worked with governments and Alberta's agri-food-industry on developing a national on-farm food safety system that will meet the scrutiny of our global trading partners.
- Collaborated with the Alberta Economic Development Authority Agriculture Committee to address Canadian Wheat Board impediments related to grain processing.

Measure #2

Farm Cash Receipts

Strategy

Provide the Beginning Farmer Loan Program to assist new entrants into agriculture and to improve long term farm viability.

Results

- Agriculture Financial Services Corporation authorized 1,144 Beginning Farmer loans for $146.7 million.

Measure #3

Production index for priority products

Strategy

Work with industry to help them establish acceptable supply and value chain linkages.

Results

- Developed a North American Food Distribution and Retailing Database.
- Facilitated the development of a cooperative marketing program for Alberta snack food products "Canadian Bold."
- Partnered with the Agriculture and Food Council to expand the value chain initiative including the development of a business plan and the recruitment of two department value chain facilitators.
- Worked on organic beef value chain development.

Strategy

Transfer integrated and unbiased technology and knowledge to industry to help them remain competitive and responsive to growth opportunities.

Results

- Provided information and consultation services to agricultural service boards, agricultural societies and other industry organizations to help improve their leadership capacity and organizational effectiveness.
- 2,100 clients accessed the home study resources including the *Weed Management Course, Water Wells That Last, Cowbytes, CowProfit$* and *Grazing Management of Northern Rangelands.*
- Agriculture Financial Services Corporation distributed a customized report, Alberta Management Insights, to approximately 17,000 crop insurance clients comparing the client's production to other producers in their region.
- Developed a program to assist food processors in resolving distribution and plant efficiency issues.
- Provided on-farm irrigation management training programs to private sector companies and organizations in support of their ongoing training of irrigation producers.

Strategy

Continue to offer quality skill development opportunities, training and educational programs in conjunction with industry and other stakeholders.

Results

- Workshops on greenhouse energy conservation, alternative fuels, cost of production impact and co-generation attracted about 200 growers, industry representatives and government staff.
- Implemented two successful Diagnostic Field Schools attended by over 1,100 agricultural industry agronomists. Agronomy Unit staff participated in the first international field school in Victoria, Australia.
- Developed and instructed credit courses: *Plant Science 470, Herbicide Physiology, Herbicides: How They Work* at the University of Alberta; *Geography 477, Irrigation Science* at the University of Lethbridge and a soil fertility course designed for the Certified Crop Advisor program through the Lethbridge Community College.
- 380 adult volunteers attended provincially-coordinated 4-H training events; as a result, 97 per cent of delegates experienced positive changes in their level of knowledge and skills.
- The Competitive Advantage Program developed and delivered by Agriculture Business Management Branch and Olds College was piloted with 13 farm operations. The training and follow-up consulting equipped participants to determine their competitive advantage and develop strategic plans.

- Green Certificate trainees benefited from improved employment opportunities and income: 577 new trainees began the program, and 365 trainees completed their training and received certificates. Partners in the program included 290 high schools, Alberta Learning, over 800 farms, Fairview College, Lethbridge College, Lakeland College and the University of Alberta.
- Provided validator training to veterinarians in partnership with Alberta Quality Pork and Alberta Pork.
- Engaged more than 50 directors from Alberta's boards and commissions in two successful Board Governance Training workshops.

Strategy

Develop and administer an improved legislative, regulatory and policy environment that enhances competitiveness.

Results

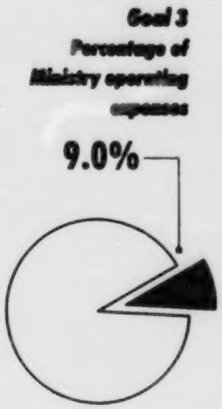
- Established the Alberta Bison Commission under the *Marketing of Agricultural Products Act*. The Commission will work to initiate and carry out projects and programs to stimulate, increase and improve bison production and marketing.
- Improved operation and efficiency of Alberta's Boards and Commissions through the amendment, revision or repeal of six regulations under the *Marketing of Agricultural Products Act*.
- Facilitated the restructuring of the Alberta Pork Producers Development Corporation and Western Hog Exchange through conducting a producer plebiscite, which allows both organizations to focus their efforts towards building a strong pork industry in the province.
- The *Irrigation Districts Act* and its associated regulations came into force in May 2000, replacing the previous *Irrigation Act*. Changes in the legislation allow irrigation districts more flexibility in the management and delivery of water so that they can operate in a more efficient manner that provides for the needs of the users.

Ministry Goal #3

Increased amount of value added to industry commodities, products and services.

Measure #1

Dollars invested in value adding in Alberta



Strategy

Encourage investment in value added.

Results

- Assisted $60 million of private sector investment projects as well as $20 million of new investments into value-added manufacturing.
- Administered disbursement of over $15 million of grant assistance to municipalities under the Municipal Industrial Water/Wastewater for Agricultural Processing Program, which supported five major value-added processing projects.
- $2 million in municipal infrastructure support was approved for a new major grain processing investment.
- Supported 22 new business starts, such as specialty cheese processing, meat processing, nutraceuticals and functional foods, confections, specialty foods, organic and health foods.
- Supported private sector expansion of processing facilities amounting to $60 million in projects, such as $30 million expansion of a meat processing facility, $7 million expansion of bakery facilities, and $6 million expansion of specialty food processing facilities.
- 15 outgoing investment attraction missions were completed and 22 incoming investment missions were supported, representing investors from North America, Asia and Europe. Several investment opportunity studies were completed, which led to an increase in prospective investment projects by 28 per cent from the previous year.

- Alberta Opportunity Company authorized 267 loans and guarantees totaling $39.4 million.
- Agriculture Financial Services Corporation authorized $8.8 million in direct loans and facilitated $70.5 million in investment to 61 value-adding businesses.

Measure #2

Value of production of agriculture and food products

Strategy

Partner with others to develop opportunities, reduce constraints, and encourage new and expanded value-added investment and production in Alberta.

Results

- Agriculture Financial Services Corporation partnered with Farm Credit Canada, CULEASE, Business Development Bank of Canada, Alberta Treasury Branches and chartered banks to assist in processing $70.5 million of loans to value-added businesses.
- 17 applied research projects undertaken with organizations such as the University of Alberta, Agriculture Canada Research Branch, Agrotechnology Research Institute in the Netherlands, Hokkaido Food Processing Research Center in Japan, Capital Health Authority and other companies and organizations. Results include 17 new technologies or projects.
- Assisted eight bakeries to attend an international technology trade show. Results include four companies purchasing new equipment, two companies planning expansions, three companies investigating new products and one company proceeding with a $3 million expansion.
- Partnered with the Alberta Egg Producers Board on feasibility studies into opportunities for egg processing plants; results are a significant shift in the egg producer's interest in new opportunities and industry growth focused on industrial egg products.
- Worked with the organic industry to advocate a Canadian Wheat Board change for a zero-cost export license for certified organic grain, which resulted in some improvements for industry.
- Industry designated additional elevator capacity to peas for feed and offshore markets.
- The Alberta Forage Council has initiated the evaluation of a grass-fed beef certification program in partnership with the Ministry.
- Alberta Agriculture, Food and Rural Development and Alberta Economic Development have committed to a project partnership to identify the intensity of the value-added industry in the municipalities of Two Hills, Minburn, Vermilion River, Wainwright and Provost. This project will also identify industry impediments and assist in developing strategies to increase value-added growth.
- One of Canada's largest hay exporters partnered with the Ministry to deliver a Korean market expansion program to promote the positive aspects of Canadian forages.

Strategy

Facilitate the development of new value-added products and technologies for use by Alberta's industry.

Results

- Assisted with the establishment of five new companies and with getting 91 new food products on the market.
- A value chain was established for the production of spring rolls from mid-season cabbage.

- A value chain was established to process fresh vegetables into soluble powders and other food ingredients.
- Participation in the Domestic Dairy Innovation Committee resulted in additional milk produced in the province.
- Ministry staff, working with the Alberta Agricultural Research Institute, have contributed to the development of new scientific information and technologies in developing value-added products.

Strategy

Improve the transfer of integrated and unbiased technology and knowledge to assist industry in increasing their value-added capabilities.

Results

- The quarterly *Northwest Processor Newsletter* is targeted to farm business managers investigating the value-added industry and to rural food processors already involved in micro-food processing and marketing through local market outlets. The newsletter is distributed to a growing audience of 1,600 readers. The Northwest Processor Home Page has been revamped and has an e-mail notification system for the newsletter and also provides up-to-date hyperlinks with current staff.
- The Agriculture Diversification Ventures web pages on Ropin' the Web, along with *Ag-Ventures*, *Ag-Alternatives*, *Ag-Strategies*, *Ag-Profits* and *Ag-Processing* factsheets are designed to work together to provide clients with timely and current value-added and diversification information.

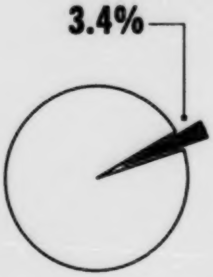
Strategy

Enhance public awareness and understanding of the value-added industry.

Results

- Taste of Success Program provides linkage to Ministry staff, product assessment, consumer sampling, label review and media exposure. Participants noted that their businesses have grown and become better focused on their target audience due to the program. The Product Showcase was an effective and efficient way for media to gather story information directly from individuals involved in rural Alberta food processing and value added.
- "Pursuing Market Opportunities in the Beef Industry" workshops were targeted to beef producers and processors who were looking for different ways to access and identify niche markets (new and developing premium markets).
- Over 100 marketing websites, gathered from the North American Farmers Direct Marketing Conference, were tested for website address accuracy, book marked and added to the Direct Market Web Page on Ropin' the Web, the Ministry Internet website.
- Partnering to deliver the 'Going Global Conference' brought value adding and associated presentations to over 300 participants.

Goal 4
Percentage of
Ministry operating
expenses



Ministry Goal #4

Increased diversity of commodities, products and services

Measure #1

Value of production of non-traditional commodities and products

Strategy

Continue to encourage more diverse, commercially sustainable production in Alberta.

Results

- A series of *Ag-Venture* profiles were developed and published, including titles *Agri-Tourism Country Vacation Enterprise, Commercial Medicinal Herb Enterprise, Organic Grains; Beef Niche Marketing* and *Native Grass Seed*. Each profile provides a topic overview giving entrepreneurs baseline information on market conditions, operational basics and economics of a particular enterprise.
- The Alberta New Crop Network (NCN), supported by Ministry staff, developed a strategic plan and an action plan to assist with promoting and furthering the development of the alternative crop industry. The plan will form the basis of the work the NCN will do in leading the alternative crop industry in improving market access, increasing processing opportunities and developing infrastructure for the industry. Ministry staff assisted in introducing the following new crops to Alberta markets over the last year:
  - one-pound bags of salad cucumbers and hot peppers were sold in commercial markets
  - white asparagus is a new crop to Alberta: a Camrose grower supplied about one tenth of Alberta's total demand for this crop last year
  - a study on producing colossal onions through the use of transplants for food service outlets enabled a major grower in southern Alberta to access this market
  - the production and test marketing of baby leeks for specialty/restaurant markets was investigated and proved to be very successful
- Ministry staff facilitated the formation of the Organic Association and helped develop a strategic plan and a Board policy framework and contents, which will support the organic industry in moving forward in developing standards, communication mechanisms and product marketing.
- The completion of the Alberta Agri-Tourism Directory and the delivery of a successful Growing Rural Tourism Conference provided farm tour operators, municipalities and tour companies with opportunities for coordination of rural tourism markets.
- A joint venture among government, conservation associations and forest companies was developed to support the growth and management of sustainable woodlots on private land. The joint venture provided operational dollars and "in kind" support for the hiring of a Sustainable Woodlot Specialist.
- The Explore Direct conference brought together over 200 producers, processors and farmer's market stallholders and managers to learn about a variety of farm direct marketing and business development topics: business planning, e-commerce, risk management assessment, labor management, developing a "brand," customer service, marketing alternative meats, trends in farm direct marketing, agri-tourism and managing and promoting your business. The Rural Fare banquet featured 19 farm produced products sold directly to customers.
- Ministry staff responded rapidly to deal with resistant American Foulbrood in Alberta's apiculture industry.

- The newly formed Bison Centre of Excellence focused on the development of technology transfer materials including a bison website, new producer packages, a bison handling video and producer seminars. The Centre was the location for the International Bison Conference, showcasing the Alberta bison industry to 1,200 international participants.
- The aquaculture unit participated in several federal/provincial initiatives to contribute to national standards and policy for the newly developing inland aquaculture industry. The aquaculture industry continues to diversify from a fingerling market to include opportunities in food markets, biological control and U-fish (tourism).
- An Elk Centre was created, in partnership with industry and the University of Alberta, to serve as a central information point for producers in Alberta.

Strategy

Improve the transfer of integrated and unbiased technology and knowledge to assist industry increase diversity.

Results

- The Ministry Internet website "Ropin the Web" is now used by a significant number of department clients for access to information and services.
- A three-year collaborative project between the Greenhouse Crops Program, Air Liquide Canada and the growers of the Red Hat Cooperative resulted in the development of a method for liquid carbon dioxide supplementation specific to Alberta growing conditions. The system is cost effective and increased greenhouse sweet bell pepper production by 30 per cent and greenhouse tomato production by 40 per cent over current industry averages.

Strategy

Support rehabilitation of irrigation infrastructure and optimal use of water resources allocated to irrigation.

Results

- Continued work with the irrigation districts to develop a computer modeling system that will allow districts to accurately assess irrigation water requirements and the potential for future expansion. This database is being utilized by several districts to develop strategies for water management for the 2001 season, which is expected to be drier than usual.
- Irrigation Council approved 27 Irrigation Rehabilitation Program projects, cost shared with irrigation districts, 75 per cent government and 25 per cent irrigation district. In addition to general rehabilitation, some projects included water flow measurement sites and canal automation projects as an aid to improving water management. Over the last year, 152 km of irrigation infrastructure was rehabilitated using funds from this program. Also, 40 irrigation rehabilitation projects previously funded under the program were monitored to ensure compliance with the program policies.
- Continued work with 13 irrigation districts to develop an Infrastructure Management System in support of the government's Capital Planning Initiative.

Measure #2

Value of processing of non-traditional commodities and products

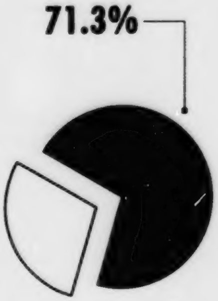
Strategy

Encourage development of non-food, nutraceutical and pharmaceutical uses of agricultural products.

Results

- A Medicinal Herb Working Group has been formed with the New Crop Network. A three-year vision to advance the industry has been developed. An on-farm demo Farming for the Future project has been approved to evaluate native plants for medicinal/aromatic use.

Goal 5
Percentage of Ministry operating expenses



- The number of medicinal plant plugs sold during the spring season increased significantly compared to 1999. Close to 700,000 echinacea plugs were grown for field production and about 50,000 were grown organically. The number of St. John's Wort plugs also increased. Three hundred plugs of Gotukola (medicinal herb) were grown and provided to a grower for establishing future plant material for marketing.
- Collaboration with the University of Alberta resulted in analytical methods being developed to identify and isolate active ingredients from echinacea.
- Ministry staff collaborated in a nation-wide government initiative to develop a comprehensive life sciences economy strategy.
- The Ministry joined the Interactive European Network for industrial crops and their applications.
- Work with several companies resulted in several nonfood products, derived from plant material, being brought to market as consumer products. Examples include beta glucan constituents used in both food and nonfood products, oat fractions in cosmetics, and starches and proteins in pharmaceuticals.
- Development of new field pea cultivars that have excellent yield and disease resistance characteristics and continued development of niche field pea markets for varieties with special characteristics have added value to Alberta's pulse crop industry.
- In cooperation with several industry partners, Ministry staff developed new methodologies for post-harvest storage of vegetable crops.

Ministry Goal #5

Increased capability of industry to manage risk

Measure #1

Results from risk management survey

Strategy

Encourage increased knowledge and skills that encourage independence and self-reliance and minimize risk from adverse events.

Results

- Produced communications on biosecurity and reducing the risk of introducing livestock disease, particularly foreign animal disease.
- Successfully introduced a market-responsive, producer accountable milk quota system that included several management options that will reduce the risk of experiencing major income fluctuations.
- Facilitated the Rural Safety Forum that resulted in the formation of a coalition of farm and rural safety stakeholders, including Regional Health Authorities, non-profit, private and public sector partners. This coalition works towards reducing fragmentation among farm safety stakeholders and increases information and materials sharing, which strengthens the network and increases the effectiveness of farm safety awareness across the province.
- The Paper Trade Project provided clients with an opportunity to practice trading futures and options to manage risk and to compare strategies. Information and skills learned in the project improved the industry's ability to carry favorable prices into the future and to add value through selective use of financial tools.
- The Ministry participated in the FutureSim Computer Aided Instruction Program in training agri-business staff, consultants, educators and producers in basic risk management skills.

Measure #2

Resolution of policies and regulations that increase risks or constrain industry's ability to manage risk

Strategy

Advocate changes to remove policies and regulations that increase risk or constrain the industry's ability to manage risk.

Results

- Significant work through the Ag Summit, the Crop Insurance Review and the Intensive Livestock Operations Review all contributed to bettering industry's ability to manage risk.

Measure #3

Reference margins in Farm Income Disaster Program applications compared to program margins plus program payments

Strategy

Offer Alberta farmers effective and efficient whole-farm safety net programs.

Results

- Successfully implemented the Farm Income Assistance Program (FIAP), announced in March 2000, with the majority of payments occurring in fiscal 2000-2001. Payments were made on various components as follows (totals are for fiscal 2000-2001 only):
  - FIAP ($4.29 per acre on cultivated 1999 acres) – 46,613 producers – total $129.64 million
  - FIAP Supplementary Payment ($6.00 per acre on cultivated 1999 acres) – 48,439 producers – total $183.18 million
  - FIAP Honey Component ($3.00 per operating hive) – 252 producers – total $615,411
  - FIAP Pasture Component ($3.00 per native pasture acre) – 18,180 producers – total $21.04 million
  - FIAP Covered Crops Component ($0.40 per square foot) – 380 producers – total to date $4.5 million
- Disaster Response payments were made to 60 producers on 21,000 acres totalling $74,829 in response to the Milk River Grazing Association fire and the Twin River Prairie fire in partnership with Alberta Municipal Affairs.
- Payments of $629,474 were made to assist farmers affected by the Pine Lake tornado in partnership with Alberta Municipal Affairs.
- Ministry staff also assisted Alberta Infrastructure in verifying eligible producers under the Natural Gas Rebate Program.
- Agriculture Financial Services Corporation paid 5,900 claims under the Farm Income Disaster Program for a total of $130 million to compensate for income losses in 1998 and 1999. The Corporation authorized 352 loans under the Alberta Farm Income Disaster Loan Program for approximately $27 million to assist farmers with production and revenue losses during the year.
- To make it easier for farmers to complete the Farm Income Disaster Program (FIDP) application without an accountant's services, a short version of the FIDP application, requiring only very basic information, was introduced in 2000, effective for the 1999 claim year. The farmer submits the application form, and the FIDP administration completes the detailed calculations.

- To help farmers address immediate cash flow problems, advance payment up to 50 per cent of the estimated FIDP entitlement for the claim year was introduced effective for the 2000 claim year. A simple one-page application is all that is required to be submitted by applicants to be considered for an advance payment. More than 238 applicants were paid $5.6 million for the 2000 claim year – an average of about $23,700 per applicant.
- The Canadian Farm Income Program (CFIP) replaced the Agricultural Income Disaster Assistance Program for the claim years 2000 to 2002. CFIP is a national program cost shared between the federal and provincial government on a 60/40 basis. With a view to narrow the differences between the CFIP and FIDP rules, several changes to FIDP were introduced effective for the 2000 claim year. Significant changes are as follows:
  - payments will be calculated as 100 per cent of the first $100,000 of eligible claim amounts. Payments were formerly calculated as 100 per cent of the first $50,000 and 50 per cent of the next $100,000
  - the applicant is required to be an Alberta resident during the claim year only. Alberta residency in at least one of the reference years is no longer applicable
  - provision has been made to adjust the reference margins for an increase or decrease in production capacity in excess of 15 per cent

Measure #4

Government program payments as a per cent of farm cash receipts

Strategy

Provide Alberta's agriculture and food industry with unique financial products and services.

Results

- Game Livestock Information Tracking System was re-engineered for web-enablement. This application contains an e-commerce element for on-line fee payments developed in partnership with Alberta Innovation and Science and the Canadian Imperial Bank of Commerce. This system is considered a pilot for further Ministry and government e-commerce initiatives.
- Feeder Associations program delivery resulted in 357,000 cattle financed utilizing credit of $290.2 million. Legislative changes to accommodate two due dates per member were approved.
- Agriculture Financial Services Corporation provided $180.2 million in direct farm loans ($146.7 million Beginning Farmer, $6.6 million Developing Farmer, $26.9 million Disaster Assistance) and facilitated $70.5 million in commercial loans to 61 value-added companies.

Measure #5

Variation of net cash income

Strategy

Provide Alberta farmers with an effective and efficient crop insurance program.

Results

- The Crop Insurance Review was completed during fiscal 2000-2001, and recommendations for improvement were submitted to the Minister. Some recommendations were implemented for the 2001 crop year with others still under review and consideration.
- Agriculture Financial Services Corporation sold 16,527 crop insurance contracts covering 10.4 million acres and paid 15,118 claims for $156.2 million.
- Agriculture Financial Services Corporation sold 7,715 straight hail contracts covering 4.2 million acres and paid 2,646 claims for $32.3 million.

- Agriculture Financial Services Corporation paid 901 waterfowl/wildlife claims for $4.9 million.
- Agriculture Financial Services Corporation introduced the following:
  - Pilot Insurance Program for Native Pasture for introduction in the 2001 crop year
  - Corn Heat Unit Insurance
  - Chickpea Insurance
  - Dry Bean Insurance for five types of beans
  - revised Potato Insurance plans covering four categories of potatoes
  - program refinements to cover two types of wheat formerly covered under a single category
  - advance payment option under Crop Insurance: 226 advance payments were issued for $8.7 million

Ministry Goal #6

Improved environmental stewardship

Measure #1

Land productivity index

Strategy

Support and conduct evaluations to find more environmentally friendly technologies and management practices for crop, livestock and agricultural processing production that are cost effective and practical to implement under Alberta conditions.

Results

- Completed evaluations on compost turners, direct seeding technologies, minimum tillage, new sprayer technologies, bio-filters and lagoon covers.
- Addressed the potential use of by-products as amendments to improve the productivity of agricultural soils.
- Conducted research on using manure to enhance crop production and the quality of the soil resource.

Strategy

Support and transfer integrated, unbiased technology and knowledge to assist the industry in becoming more environmentally sustainable.

Results

- Developed nutrient management tools including a manure calculator, beneficial management practice manuals and a nutrient management curriculum.
- Conducted research projects to evaluate Integrated Pest Management methods for pest control in crops.
- Worked with the Alberta Environmentally Sustainable Agriculture Council to provide funding support to 34 groups and 62 municipalities in the delivery of 628 technology transfer projects.

Strategy

Monitor changes in soil and water quality to determine the effect of agricultural production and processing operations on these resources.

Results

- Completed the third year of sampling 43 provincial soil quality benchmark sites across Alberta and projects on soil risk assessment, database development and Geographic Information Systems applications.

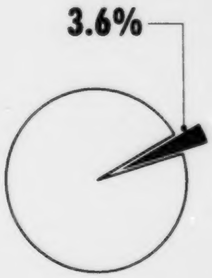
Strategy

Provide clear direction through guidelines, standards and regulations of environmental performance requirements to sustain the quality of Alberta's soil, water and air resources.

Results

- Worked with industry partners to initiate an Environmental Farm Planning process for Alberta.

Goal 6
Percentage of Ministry operating expenses



- Conducted inspections on reclaimed oil and gas well sites located on Public Land (90 per cent of these sites were certified within two growing seasons after application year: met target).

Measure #2

Water quality index for agriculture (small streams)

Strategy

Support and conduct evaluations to find more environmentally friendly technologies and management practices for crop, livestock and agricultural processing production that are cost effective and practical to implement under Alberta conditions.

Results

- Partnered with Alberta Environment, Prairie Farm Rehabilitation Administration and industry to establish initial soil phosphorus protocols for selected agricultural lands in the province.
- Completed the third year of the Oldman River Basin Water Quality Initiative to assess and mitigate the impacts of urban and rural activities on water quality in the basin.

Strategy

Support and transfer integrated, unbiased technology and knowledge to assist the industry in becoming more environmentally sustainable.

Results

- Conducted the Manure Management 2000 Workshop (attended by 400 livestock producers, researchers, municipal government and service industry representatives).
- Provided professional and financial support to the Cows and Fish Program to support successful expansion throughout Alberta to ensure responsible riparian management.

Strategy

Monitor changes in soil and water quality to determine the effect of agricultural production and processing operations on these resources.

Results

- Continued to monitor 23 small agricultural watersheds for bacteria, nutrients and pesticides to determine the impact of the agricultural industry on surface water quality.

Strategy

Provide clear direction through guidelines, standards and regulations of environmental performance requirements to sustain the quality of Alberta's soil, water and air resources.

Results

- Released the *2000 Code of Practice for Responsible Livestock Development and Manure Management* outlining the technical standards for new and expanding livestock operations.
- Worked with livestock industry partners to develop Beneficial Management Practices manuals for various commodity groups.
- Developed a Ministry Technical Review Process for Intensive Livestock Operations, to recommend a protocol for the technical review of development applications.

Strategy

Develop and administer legislation consistent with Alberta's commitment to sustainable resource and environmental management.

Results

- Continued to support the work of the Sustainable Management of the Livestock Industry in Alberta Committee, to recommend a framework that ensures sustainable industry development.

Measure #3

Range sustainability: average per cent utilization of allocated grazing capacity

Strategy

Support and transfer integrated, unbiased technology and knowledge to assist the industry in becoming more environmentally sustainable.

Results

- Developed an Ecological Site Description website to assess range health.
- Conducted annual Stockmen's Courses (120 producers attended).

Strategy

Monitor changes in soil and water quality to determine the effect of agricultural production and processing operations on these resources.

Results

- Livestock utilization of the allocated forage was 84 per cent on 417 selected Public Lands grazing leases in 2000-2001 (exceeded target of 80 per cent).

Measure #4

Number of land and resource allocations

Strategy

Develop and administer legislation consistent with Alberta's commitment to sustainable resource and environmental management.

Results

- 2,440 dispositions, letters of authority and amended dispositions were issued on Public Land.

Ministry Goal #7

Continued excellence in food safety

Strategy

Develop and administer essential policy and legislation.

Results

- Meat inspections were conducted on about 4 million carcasses (mammals and poultry).
- New *Livestock Market and Livestock Assembling Station Regulation* and *Livestock Disease Control Regulation* proclaimed on April 30, 2000.
- New *Destruction and Disposal of Dead Animals Regulation* proclaimed on November 14, 2000.

Measure #1

Incidence of food safety problems

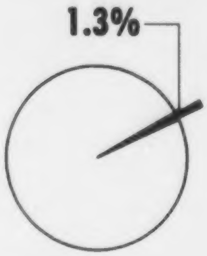
Strategy

Provide a quick effective response to food safety problems.

Results

- A draft emergency response plan for food safety concerns has been prepared through Canada Alberta Partners in Food Safety.
- Six food safety crises (sprouts, pigs ears, etc.) were handled through the Canada Alberta Partners in Food Safety. Appropriate actions were taken to ensure protection of the public and/or effective improvement to food handling/production procedures.
- Meat inspection services were suspended at 11 slaughter plants for food safety reasons until changes were made to bring the plants into compliance with Meat Inspection Regulations. Sixteen plants were closed, either voluntarily or for food safety reasons.
- A new testing program for sulfamethazine drugs in barbecue hogs resulted in more effective detection of residues.

Goal 7
Percentage of
Ministry operating
expenses



Measure #2

Per cent of production from Alberta food processing plants that have adopted the Hazard Analysis Critical Control Point (HACCP) program

Strategy

Strengthen food safety knowledge and skills of people working in Alberta's agri-food industry.

Results

- 167 individuals received Qualification Certificates under the Production Animal Medicine Regulation.
- New Foods manuals for 4-H members and leaders were produced with an emphasis on food safety and production in Alberta.
- In partnership with Alberta Food Processors Association, the Food Safety Counseling initiative continued to educate and consult with 142 food processors regarding HACCP.
- A topic specific meeting on food safety in conjunction with the Ag Summit process was attended by about 70 industry representatives.

Strategy

Promote adoption of "world class" food safety systems throughout the Alberta food chain

Results

- Provided specialized expertise and facilitated progress in development and adoption of industry driven on-farm food safety programs. Significant progress was made by the pork (50 per cent of producers on Canadian Quality Pork), poultry and horticulture industries.
- Two-thirds of Alberta's abattoirs have enhanced their food safety standards though the Meat Facility Assessment Program and the implementation of recommended changes.
- In partnership with industry, 142 food processors received counselling in HACCP implementation.
- Provided essential food safety and animal health diagnostic services in partnership with industry, private labs, Regional Health Authorities and the Canadian Food Inspection Agency.
- Facilitated inputs to "Canada's positions" on food safety issues.

Strategy

Communicate standards for food safety to industry and consumers.

Results

- A Newsletter "*FRANK TALK*" provided Regional Health Authorities public health inspectors and Ministry meat inspectors with tools to further educate the meat processing industry.
- Tours of abattoirs were arranged for 4-H clubs along with several beef grading seminars for 4-H clubs.

Measure #3

Total production from Alberta farms that have adopted the Hazard Analysis Critical Control Point Program (HACCP)

Strategy

Develop new knowledge and technology.

Results

- In collaboration with industry and Ministry partners, provided quality laboratory and scientific expertise in support of food safety initiatives and targeted agri-food surveillance and monitoring projects. Some examples include:
  - investigation of the antimicrobial sensitivity of HACCP isolates from federally inspected slaughter plants in Alberta, Saskatchewan and Ontario
  - development of an immunomagnetic bead assay for the detection of Johne's disease in cattle

- assessment of different detection methodologies/prevention strategies for pathogens in food
- development of a Polymerase Chain Reaction assay and comparison to conventional culture for *Tritrichomonas foetus*
- conducted an Alberta survey to assess *Salmonella* spp. in pigs close to market age
- survey to determine the occurrence of *Salmonella enteritidis* in egg producing facilities

Ministry Goal #8

Improved management of the Ministry's resources

Measure #1

Training fund statistics

Strategy

Improve human resource development planning and programming.

Results

- More than 2,000 days of training were delivered to Ministry employees.
- A total of 98 staff participated in the "Leaders In Agriculture," "Face-to-Face Leadership," and "Coaching" programs as part of the department's succession planning initiatives.
- 15 developmental assignments involved managers and 12 involved non-managers.
- 13 internships, 20 education leaves and 20 work experience placements were recorded.
- Alberta Opportunity Company provided work experience opportunities to six post-secondary students.
- Agriculture Financial Services Corporation provided 1,350 training days to staff.

Measure #2

Results from Staffspeak survey

Strategy

Provide effective and timely information to Ministry staff.

Results

- In response to the Department's work climate survey, 83 per cent of employees (up from 66 per cent in 1999) said that department-wide communication has improved over the last year. The percentage of employees in the "great to very great" category for this question rose significantly from 27 per cent in 1999 to 46 per cent in 2000.
- 79 per cent of employees said they believe the organization does a good job of sharing information and ideas with each other. The percentage of employees in the "great to very great" category for this question rose significantly from 29 per cent in 1999, to 40 per cent in 2000.
- Agriculture Financial Services Corporation survey showed an overall satisfaction rate of 87.1 per cent among employees, and 98.7 percent of responding employees said the corporation is a good place to work.

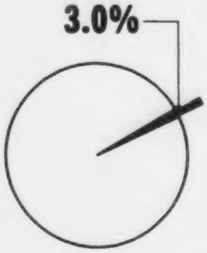
Strategy

Improve human resource planning and programming.

Results

- In response to the Department's work climate survey, 64 percent of employees (unchanged since 1999) said individuals in the Department were recognized for product/service innovation and creativity.
- Agriculture Financial Services Corporation implemented a new Human Resources Plan, and under its innovative Encore Program, enabled four retired staff to return to the corporation to assist in knowledge transfer to other staff.

Goal 8
Percentage of Ministry operating expenses



Measure #3

Budget targets met

Strategy

Explore partnership alliances for the better integration of human and fiscal resources.

Results

- Senior Ministry staff participated on steering committees and working groups tasked with the establishment of the Alberta Corporate Services Centre. Staff made significant contributions to the development of service level agreements, role identification, business process engineering and employee self-service.
- Ministry agencies collaborated with other Crown agencies on partnership alliances for Human Resource, Information Technology, Financial and Administrative services.
- Strategic partnerships have been developed with Olds College, Olds College Centre for Innovation, University of Saskatchewan and industry organizations.
- Ministry staff were seconded to Olds College Centre for Innovation to work on new fertilizer technologies in partnership with industry.
- A partnership with Agriculture and Agri-Food Canada resulted in urban, aboriginal and out-of-province youth being involved in three Alberta youth seminars.
- In conjunction with Alberta Alcohol and Drug Abuse Commission and the Alberta Sports, Recreation, Parks, and Wildlife Foundation, the Ministry assisted the production of two 30-second commercials that were aired during and after the Olympics Games in 2000.
- The Ministry's 4-H branch participated in inter-agency and cross-government committees such as the Canadian 4-H Council, Rural Crime Watch and others.

Strategy

Improve business planning and implementation.

Results

- The implementation of the Ministry's new Goal Focused Planning System is underway. This system is expected to result in more effective planning, increased collaboration among units addressing common issues and a more efficient allocation of resources.

Strategy

Improve fiscal responsibility and accountability.

Results

- Under the direction of the Minister, a Functional Review of the entire Department was completed. The study confirmed that the department's staff and budget resources were allocated in a manner consistent with the Department's goals and the overall direction of government.
- As part of government's Regulatory Reform initiative, 24 Ministry regulations were reviewed. Since 1996, 139 of 145 Ministry regulations have been reviewed. The major focus of the reviews is on improving efficiency, reducing industry compliance costs, simplifying procedures and speeding up approval processes.
- The amendment to Section 39 of the *Surface Rights Act* started to reduce the government liability under the Act as intended. Because of the broadened base of liability, energy licensees have started to assume responsibility for annual rentals and reclamation of the energy sites. Delinquent energy sites are now either transferred to viable companies who assume responsibility for the rental payments or are being quickly reclaimed by the "Alberta Orphan Fund" administered by the Alberta Energy Utilities Board. Once a reclamation site certificate is issued, the government's obligation to pay an annual rental ceases.

- Cost effectiveness of Ministry publications was maintained at or above industry standards with a quality of production that met or exceeded industry expectations on production material.
- Listening audience of 110,000 for the *Call of the Land* radio program was maintained, as confirmed by Bureau of Broadcast Measurement.
- Agriculture Financial Services Corporation rewrote its insurance systems and streamlined its business processes to improve support for the provision of customer services.
- The Ministry's actual expenses were $29.5 million higher than the business plan target adjusted for supplementary appropriations. The Department's actual expenses were $28.2 million under the authorized budget. A full discussion of the financial results appears in the Results Analysis section of this report.

Measure #4

Results from client survey

Strategy

Continue to enhance knowledge and information through Knowledge Management.

Results

- A survey found that staff recognized that more effective sharing of their knowledge is critical for the Ministry and its clients. Survey results stressed the need for training on "best practices" in sharing knowledge and using software tools. Highlights of the year included:
  - industry leaders, such as the Ag Summit Leaders group, and staff were coached in the use of electronic team rooms to speed collaborative work. At the Fall Training session, a workshop on the use of these tools was oversubscribed
  - consultations with industry, staff and schools confirmed that the Ministry is promoting the right concepts in providing knowledge in smaller, significant units (nuggets) versus information in bulk
  - As noted under Measure 2, the number of staff who strongly believe that Ministry staff do a good job in sharing information with each other has increased.

Strategy

Integrate planning and program development with other ministries.

Results

- Made considerable progress in coordinating the expertise of Ministry trade and Dairy Board staff, Alberta International and Intergovernmental Relations, Alberta Justice, Agriculture Canada, and Foreign Affairs and International Trade, particularly in development of trade mechanisms and strategic response.
- The Ministry and the Public Affairs Bureau established a partnership for joint responsibility for the Ministry's communications needs.
- Participated in an inter-ministry Annual Report Working Group with Alberta Treasury, the Office of the Auditor General and other ministries.
- The Ministry entered into a joint agreement with Alberta Environment to administer the Arbor Day Program.
- Assisted Alberta Agricultural Research Institute with the evaluation of opportunities and the priority ordering of research funding.
- Worked with the Agriculture and Food Council, Alberta Food Processors Association, Canadian Council of Grocery Distributors and Alberta Value Added Corporation to deliver training programs, value chain development, industry development and to address policy issues.

- Partnered with the Prairie Farm Rehabilitation Administration and Alberta Environment in the development, promotion and delivery of publications and computer software such as ***Water Wells That Last, Grazing Management of Northern Rangelands***, and ***Cowbytes*** and ***CowProfit$***. The partnership resulted in the efficient use of manpower resources and the production of excellent educational packages designed to promote practice change.
- The Ministry's 4-H branch partnered with Alberta Children's Services to ensure that rural youth were represented at a series of youth conferences across the province.
- Worked closely with other ministries such as Alberta Environment, Alberta Health and Wellness, Alberta Infrastructure, Alberta Innovation and Science, and Alberta Municipal Affairs on water related initiatives and on the Intensive Livestock Operations Communications Task Force.

AUDITOR
GENERAL
Alberta

REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF APPLYING SPECIFIED AUDITING PROCEDURES TO PERFORMANCE MEASURES

To the Members of the Legislative Assembly

I have performed the following procedures in connection with the Ministry of Agriculture, Food and Rural Development's performance measures included in the *2000-2001 Annual Report of the Ministry of Agriculture, Food and Rural Development* as presented on pages 42 to 49.

1. Information obtained from an independent source, such as Statistics Canada, was agreed with the information supplied by the stated source. Information provided internally was agreed to the reports from the systems used to develop the information.
2. The calculations that converted source information into reported measures were tested.
3. The appropriateness of the description of each measure's methodology was assessed.

As a result of applying the above procedures, I found no exceptions. However, these procedures do not constitute an audit of the set of performance measures and therefore I express no opinion on the set of performance measures included in the *2000-2001 Annual Report of the Ministry of Agriculture, Food and Rural Development*.

Peter Valentine

Peter Valentine
FCA
Auditor General

Edmonton, Alberta
August 21, 2001

Ministry Measures

Background

Economic prosperity has been evident in Alberta in the last several years. Alberta Agriculture, Food and Rural Development's focus has been on this core government business, and the agriculture and food industries in the province are key contributors.

Primary agricultural production is still Alberta's largest renewable, resource-based industry. The primary agriculture sector generated $7.41 billion in farm cash receipts in 2000, which represents 22.6 per cent of Canada's primary agricultural output. Alberta farm cash receipts continue to increase relative to other provinces. During the benchmark period 1989 to 1993, Alberta averaged 20.1 per cent of Canada's primary output.

Secondary agricultural processing includes the food and beverage processing industries and is a key segment of Alberta's manufacturing sector. A new record for shipments was set in 2000 at $9.2 billion in sales. Some 13.7 per cent of Canadian food and beverage shipments are now from Alberta, up from 10.8 per cent over the 1989 to 1993 benchmark period.

Combined, the primary agriculture and the food and beverage manufacturing industries were the third largest goods producing employer in Alberta in 2000. During 2000, employment numbers in the agriculture and food sectors averaged 88,700.

The data shown for the following performance measures is the most current available. However, some level of uncertainty does exist in each of the measures since the data represented primarily reflects results from sample surveys.

Revisions to past years' measures may occur over time as better or more complete data becomes available. For example, every five years a census of agriculture is done. The data from each new census taken every five years may result in revisions to data for the years following the previous census. All data revisions to past years' measures, and to the forecasts, targets and benchmarks from the 2000-2001 to 2002-2003 Ministry business plan, are included in this report.

Note that the measure that appeared as number four in last year's annual report, the value of shipments of agriculture and food products from Alberta, will not be reported on in this annual report. Because the statistics used to calculate inter-provincial shipments are no longer available, the measure can no longer be used. It did not appear in the Ministry business plan for 2000-2001 to 2002-2003.

The benchmark periods for these performance measures are used for comparative purposes and are averages for 1989 to 1993, unless otherwise specified. This time frame was chosen as it represents the typical agricultural output for Alberta for the last three decades. No major weather or price-related problems affected this period.

Performance Measures

Measure 1.

Percentage of Canadian farm cash receipts Alberta farmers and ranchers account for

Income received by farmers and ranchers from the sale of agriculture products is called farm cash receipts. Measure 1 shows how well Alberta farmers and ranchers are doing relative to other Canadian farmers and ranchers they have to compete against.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:

1. Improved capacity to respond to opportunities for growth.
2. Improved competitiveness of industry commodities, products and services.
3. Increased amount of value added to industry commodities, products and services.

Since Alberta farmers and ranchers operate within the same general rules and regulations as most other Canadian farmers, the measure of Alberta's share of Canadian farm cash receipts shows, by comparison, how competitive Alberta farmers and ranchers are relative to other Canadian farmers. Alberta Agriculture, Food and Rural Development plays a major role in helping Alberta farmers and ranchers stay competitive, not only with other Canadian farmers but also on a global scale.

Benchmark

For comparative purposes, the average farm cash receipts for 1989 to 1993 form the benchmark period. This time frame represents a period of relatively typical agricultural output for Alberta. Farmers and ranchers in Alberta averaged 20.1 per cent of Canadian farm cash receipts during the benchmark period. The forecast in the 2000-2001 to 2002-2003 Ministry business plan was that this percentage would increase to 21.7 per cent by 2000.

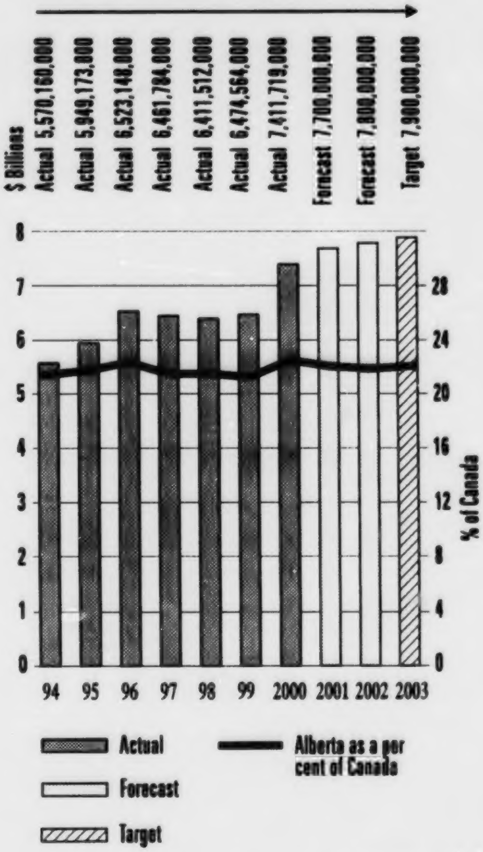
Results

The actual measure for 2000 was 22.6 per cent, which exceeded the business plan forecast. The year 2000 was considered somewhat below average for crop production, and continued poor commodity prices for crops resulted in lower incomes from crops. Cash receipts from crops sales in 2000 decreased by $86 million from 1999.

In 2000, farm cash receipts from livestock set a new record at $4.45 billion. Receipts were up by over $531 million (13.6 per cent) over 1999. Continued strength in the livestock sector, as well as increased government program payments resulted in an overall increase of 14.5 per cent in total farm cash receipts in 2000.

Measure 1

Alberta farm cash receipts



Source: Statistics Canada Catalogue No. 21-603; Alberta Agriculture, Food and Rural Development (calculations)

Measure 2.

Net cash income of Alberta farmers and ranchers

The amount of cash farmers and ranchers have remaining after farm cash operating expenses are subtracted from farm cash receipts is called net cash income. Operating expenses do not include depreciation nor do they include the value of inventory change. Net cash income is the amount of cash remaining that is used to cover the non-interest part of mortgage payments, purchase capital items, meet living expenses, accumulate savings and cover other non-farm expenses. This measure reflects how well farmers and ranchers are coping with the cost/price squeeze caused by higher input costs and lower returns.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:

1. Improved capacity to respond to opportunities for growth.
2. Improved competitiveness of industry commodities, products and services.
3. Increased amount of value added to industry commodities, products and services.
5. Increased capability of industry to manage risk.

Benchmark

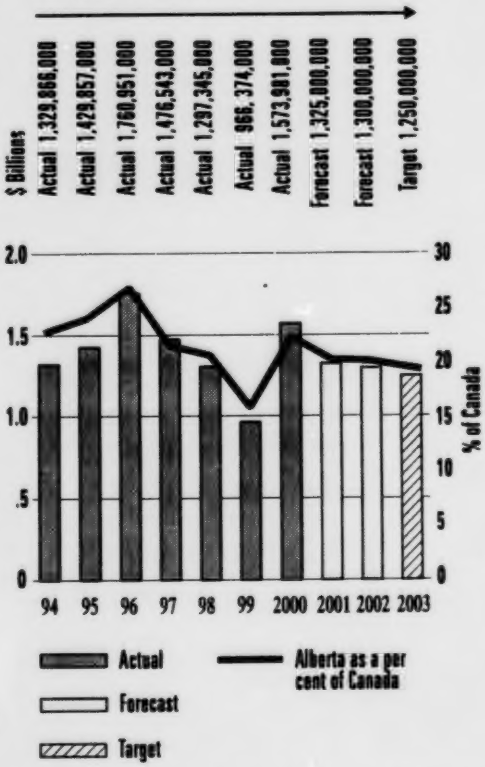
For comparative purposes, the benchmark is the average net cash income for 1989 to 1993, which represents a period of relatively typical agricultural output for Alberta. Alberta farmers and ranchers averaged 19.3 per cent of Canadian net cash income during that period. The forecast in the 2000-2001 to 2002-2003 Ministry business plan was that this percentage would be 17.5 per cent by 2000.

Results

Net cash income at $1,574 million in 2000 was well above the 1999 level of $966 million. Alberta net cash income expressed as a per cent of Canada increased to 22.3 per cent, up from 15.8 per cent in 1999. Increased farm cash receipts, including significant increases in government program payments, more than offset increased expenses. However, net cash income increases experienced in 2000 are not expected to continue in 2001.

Measure 2

Alberta net cash income



Source: Statistics Canada Catalogue No. 21-603; Alberta Agriculture, Food and Rural Development (calculations)

Measure 3.

Percentage contributed by Alberta's food and beverage industry of Canada's total value of shipments

The value of shipments is the sales revenue received by Alberta's agri-business processing and manufacturing firms. Measure 3 illustrates how Alberta businesses are doing relative to others across Canada in international markets as well as in domestic markets.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:

1. Improved capacity to respond to opportunities for growth.
2. Improved competitiveness of industry commodities, products and services.
3. Increased amount of value added to industry commodities, products and services.
4. Increased diversity of commodities, products and services.
5. Increased capability of industry to manage risk.

Benchmark

Alberta averaged 10.8 per cent of Canada's food and beverage shipments during the 1989-1993 benchmark period. The continued increase in total value of shipments from Alberta's food and beverage industries relative to those in other provinces is demonstrated by the growth in Alberta's share to 13.7 per cent in 2000.

The value of shipments for the 1989-1993 benchmark period was $4.89 billion. This period was selected as a representative period when Alberta's agri-food industry was relatively stable.

Results

Shipments for 2000 were $9.19 billion, up 88.1 per cent from the benchmark. The value of shipments in 2000 were up substantially from the Ministry's forecast of $8.45 billion, by 8.7 per cent. The total value of shipments increased $1.1 billion in 2000 compared to 1999, the largest increase ever recorded.

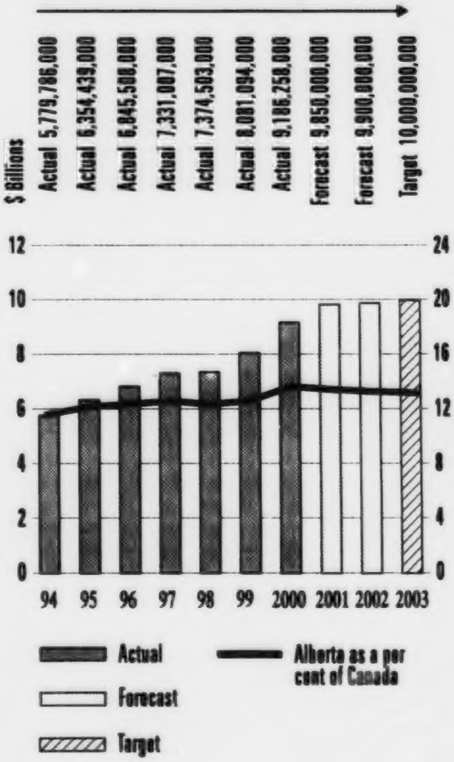
Increases were achieved in all categories except for grains and oilseeds, which decreased by 12 per cent, and beverage industries, which were down marginally.

The value of shipments for meat product manufacturing increased over 17 per cent or $704 million, dairy product manufacturing by 31 per cent or $357 million, animal food manufacturing by $56 million and bakeries manufacturing by $38 million.

The forecast for the value of food and beverage shipments for Alberta indicates an increase at an ever growing rate over the next several years. By 2003, shipments are targeted to reach $10 billion.

Measure 3

Food and beverage value of shipments



Source: Statistics Canada Custom Tabulation for 1994 to 1997; Statistics Canada Catalogue No. 31-203 for 1998; Statistics Canada CANSIM Database for 1999 and 2000; Alberta Agriculture, Food and Rural Development (calculations)

Measure 4.

Importance of Alberta agriculture, food and beverage industries relative to Alberta's gross domestic product

The agriculture, food and beverage industries combine to form a very significant industry sector. Comparing this industry sector to other sectors in the Alberta economy illustrates its growth and potential.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:

1. Improved capacity to respond to opportunities for growth.
2. Improved competitiveness of industry commodities, products and services.
3. Increased amount of value added to industry commodities, products and services.
4. Increased diversity of commodities, products and services.
5. Increased capability of industry to manage risk.
6. Improved environmental stewardship.

About one in three jobs in Alberta is either directly or indirectly affected by these industries, making the multiplier effect of the agriculture, food and beverage industries quite dramatic. As such, the per cent of gross provincial product contributed by these industries helps, in part, to demonstrate the effectiveness of policies and programs that affect these industries.

This industry sector will continue to grow if policies and programs have either a neutral or positive effect on growth of the agri-food industry. Ministry staff have a continuing role in ensuring programs and policies have a positive effect on the various aspects of the agri-food industry.

Benchmark

The agri-food industry contributed, on average, 4.6 per cent of the provincial gross domestic product for Alberta during the benchmark period. More recently, the average for the period 1995-1999 was 5.0 per cent.

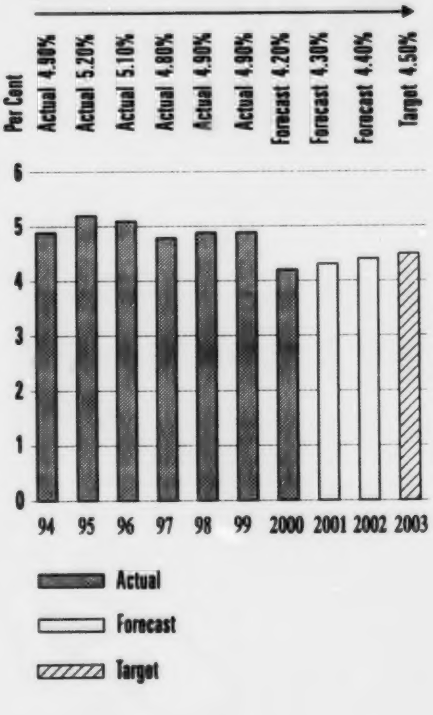
Results

The forecast for 2000 originally shown in the 2000-2001 to 2002-2003 Ministry Business Plan was 5.0 per cent. Preliminary estimates for 2000 suggest the level to be 4.2 per cent, 0.8 percentage points under the original forecast.

Prices for natural gas and oil have continued strong and have correspondingly increased the total provincial gross domestic product. Continued lower commodity prices for crops have reduced the overall effect the agriculture and food industries have on the Alberta economy.

The projection is that the agri-food industry will account for 4.5 per cent of the provincial gross domestic product by 2003.

Measure 4
Contribution to provincial gross domestic product



Source: "Alberta Economic Accounts 1999," Alberta Treasury; Alberta Agriculture, Food and Rural Development (calculations)

Measure 5.

Employment in agriculture and food

This measure illustrates changes in the level of employment in the agriculture, food and beverage manufacturing industries. This group of industries was the third largest goods producing employer in Alberta in 2000.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:

1. Improved capacity to respond to opportunities for growth.
2. Improved competitiveness of industry commodities, products and services.
3. Increased amount of value added to industry commodities, products and services.

Benchmark

The 1989-1993 benchmark period average for employment in the primary sector was *95,500, while the average employment level for that same benchmark period in the food and beverage industry was *18,400. Employment for the two sectors totaled *113,900.

Results

Total employment averaged 88,700 during 2000; that total was composed of 69,300 in primary agriculture and 19,400 in the food and beverage industry.

Employment in primary agriculture has varied significantly since 1989. It peaked at 98,700 in 1991 and dropped back to 89,200 in 1997, then increased slightly in 1998 but further decreased to 82,500 in 1999 and more recently dropped to 69,300. Continued low farmer margins significantly affected farm and ranch employment opportunities and dramatically weakened the ability to hire additional agriculture farm workers or keep existing employees on staff.

Employment in the food and beverage side did not fluctuate as much. The change has been from a low of 16,800 in 1992 to a high of 20,400 in 1998. Employment in the food and beverage industry in 2000 averaged 19,400.

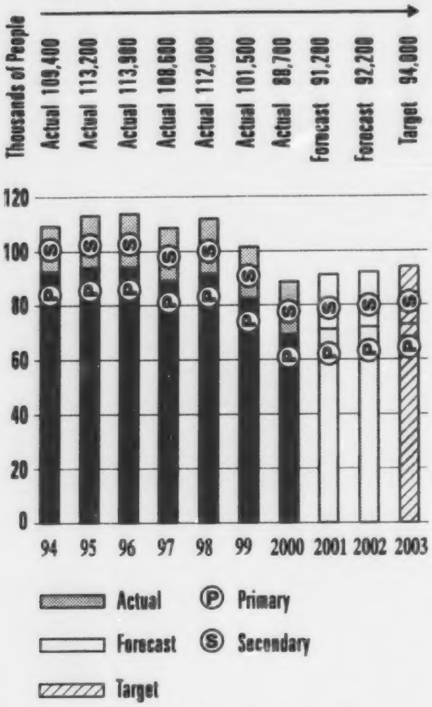
Alberta's agriculture, food and beverage industries continue to maintain a very low level of unemployment when compared to any other major industry in Alberta.

The employment targets set for 2003 are 73,000 in primary agriculture and 21,000 jobs in the food and beverage industry. Growth in both sectors will result in additional employment over the long term.

* **NOTE – Changes to Labour Force Survey** Statistics Canada's Labour Force Survey results back to 1987 were regrouped according to the North American Industry Classification System (NAICS), which replaces the 1980 Standard Industrial Classification System (SIC) used by Statistics Canada in the past. Industries are now grouped by common inputs and processes, rather than by outputs. This regrouping of the data resulted in revisions to the data for those years used in this measure benchmark. Therefore, the benchmark numbers shown in the 2000-2001 to 2002-2003 Ministry business plan are different from those used in this annual report.

Measure 5

Employment in agriculture and food



Source: Statistics Canada, Historical Labour Force Survey, Alberta Treasury

Measure 6.

Alberta Land Productivity Index

This measure records the changes in long term land productivity as recorded in annual crop output. Although year-to-year changes in productivity occur due to weather, the longer term average is used to show trends.

Affects Ministry Goals

- records, in part, successes in achieving Ministry goals:

2. Improved competitiveness of industry commodities, products and services.
6. Improved environmental stewardship.

The balance between nutrients removed by crops and replaced by fertilizers and manure ensures the land productivity and the sustainability of agriculture in Alberta. Long term crop production is an excellent proxy for land productivity.

Benchmark

Over the past 50 years, there has been a steady growth in crop production in Alberta. This index shows the crop production increase relative to the 1971-1980 benchmark.

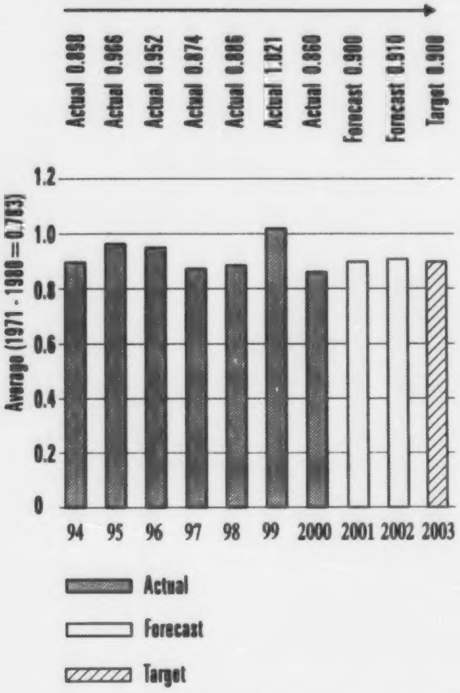
Results

The Ministry's work with farmers and ranchers has, in part, contributed to the overall increase in crop output over time. The index for 1999 at 1.021 recorded this effort, in part, and it also recorded the generally favorable crop production year. While weather will continue to affect the year-to-year level, results for 1999 illustrated that total output can exceed the target level anticipated.

Output in 2000 was more in line with the longer term trend in crop production over the past 25 years. The index decreased from 1.021 in 1999 to 0.860 in 2000, below the forecast 0.972. It is anticipated that in the future, the lack of moisture in 2001 will cause the index to drop below the long term trend in crop production.

Measure 6

Land productivity index



Source: Statistics Canada Catalogue No. 22-002 (data for calculations); Alberta Agriculture, Food and Rural Development (calculations)

Future Challenges

Changes at the industry and Ministry level are shown by the Ministry's macro measures. Thus, these measures record, in part, both the direct and indirect impacts the Ministry has on the ongoing development of the agriculture and food industry in Alberta. However, there are a number of significant influences affecting Alberta's agriculture and food industries that remain beyond the role and scope of Ministry programs or staff.

Major Influences on Alberta's Agriculture and Food Industries:

Weather

Weather has a major effect on the production of agriculture commodities in Alberta. A look at crop insurance program payments will show the variance this factor can introduce. Back in 1995, widespread drought caused crop insurance pay-outs to increase to $251 million. However in the 1999 calendar year, pay-outs were only $62.3 million. Pay-outs for 2000 totaled $161 million.

The Ministry's macro-measures dealing with farm cash receipts and net cash income record weather impacts. Projections for these measures are based on long term averages based on normal weather.

Commodity Prices

The combination of long term downward trending commodity prices and upward trending input prices further eroded margins. This situation will continue to place an additional burden on producers' and processors' ability to remain in business.

Federal government programs and policies

The future growth of Alberta's agriculture and food industries continues to be affected by federal government programs and policies. The reduction or removal of impediments inherent in federal programs and policies requires the ongoing work of Ministry staff along with their federal counterparts. For example, Alberta farmers marketing their grain continue to be affected by grain transportation and marketing constraints and regulations.

To address some of these joint concerns, federal and provincial safety net programs and policies are currently under review.

The level of the Canadian dollar relative to the U.S. dollar, while beneficial to international exports leaving Alberta, has meant continued increases in input costs, particularly for those items imported from the U.S. A majority of the machinery, equipment and agricultural chemicals used on Alberta farms and ranches comes from U.S. manufacturers. However, an increase in the value of the Canadian dollar means a concern for Alberta exporters.

Government programs and policies of other countries

Markets in other countries are crucial to Alberta agriculture and food industries. As such, Alberta industries are significantly affected by both existing and future programs as well as policies in other countries. For example, trade wars among the U.S. and European countries continue to have an adverse effect on the amount and value of Alberta exports.

The international demand for agriculture commodities changes constantly and significantly. In part, these alterations are due to changes in government programs and policies in other countries. Consequently, Albertans representing agriculture and food industries must continue to search for new markets. Without new markets, the forecast potential for growth cannot be achieved.

Consumer tastes, social norms and/or standards

Changes in consumer tastes and demand can result in significant challenges for the industry sector. Since Alberta has a strong reliance on exporting agriculture and food products, producers must respond to these changes. It is not simply a matter of marketing what is grown. Rather, it is knowing what the market wants and producing to suit the client.

The food product industry must meet a particular challenge in that changing consumer demands often require significant lead time for research and development. For example, the move from producing rapeseed to canola took more than ten years to complete. In today's fast-paced society, consumer tastes can and do change more quickly.

Issues around animal welfare, the environment, biotechnology and additional resource issues such as air, land and/or water will continue to affect the future direction of the agriculture and food industries in this province. Social norms can drive significant changes in how these industries may produce food and animal products, both in Canada and around the world. The current public dialogues around genetically modified organisms illustrate this issue.

The globalization of agriculture markets puts Alberta producers and manufacturers at greater risk with regard to changing views, concerns and beliefs on what foods are safe and which ones are not. Recent food safety concerns with water quality and hamburger disease have the public on alert, and the agriculture and food industries must address these concerns.

Discussion of Results and Performance

Results of Operations

The Ministry's financial results show consolidated revenues of $323 million in 2000-2001, which is a $131 million decrease in revenues from 1999-2000, but still $12.9 million higher than budget. Consolidated expenses increased to $837 million. This figure is $4 million higher than in 1999-2000. The net operating result was an excess of expenses over revenues of $514 million, which is $136 million higher than in 1999-2000 and $117 million higher than budget.

Revenues

Revenues decreased by 29 per cent from the previous year. They were down $131 million from last year; however, as noted above, they were $12.9 million higher than budget.

Revenues exceeded budget mainly because of higher investment income, restricted revenue receipts and Government of Canada contributions. Interest and investment income was $14 million higher due to an increase in surplus balances in Crop and Hail Insurance funds. Restricted revenue receipts were $13 million higher resulting from higher milk price equalization pool collections. Government of Canada contributions increased by $8.4 million mainly due to implementation of modifications to the Farm

Income Disaster Program after the budget for 2000-2001 was finalized. The revenue increases were offset by a reduction of $24 million in premiums from insured persons due to a 30 per cent premium discount offered to participants in the Crop Insurance Program.

Revenue picture highlights include the following:

- Internal government transfers decreased by $31.2 million in 2000-2001. A number of programs funded by the Lottery Fund in 1999-2000 were funded by the Department (General Revenue Fund) in 2000-2001. Transfers from the Lottery Fund are reported as internal government transfers.
- Interest and investment income was $14 million higher than budget. Investment income was $10.8 million higher than budget due to surplus balances in the Hail and Crop Insurance Funds. Interest income was $3.2 million higher than budget due to increases in the loan portfolios.
- Premiums from insured persons were $24.1 million lower than budget and $17.6 million lower than 1999-2000 premiums. The variance was primarily due to the introduction of a 30 per cent premium discount to participants in crop insurance, which was not reflected in the budget.
- Transfers from the Government of Canada were $108.8 million lower than last year mainly due to lower funding for the Farm Income Disaster Program (FIDP). The 1999-2000 figure includes higher funding for FIDP due to program changes made retroactive to the 1998 claim year. In addition, FIDP funding in 2000-2001 was lower due to the impacts of Farm Income Assistance Program payments on FIDP payments. Federal funding for the crop insurance program was $5.2 million lower than last year.
- Fees, permits, licenses and other income increased by $0.9 million from the previous year and were $2 million higher than budget. The variance from budget was due primarily to increased revenues from research projects conducted in partnership with industry.
- Restricted revenue and quota exchange receipts increased by $9.1 million from last year as a result of increased milk price equalization pool collections. These revenues are funds collected in the operation of price equalization pools or under various agreements and are restricted contributions subject to externally imposed stipulations that specify the purpose for which the funds are to be used. The increase in revenue was offset by a corresponding increase in restricted expenses and quota exchange payments.

Expenses Compared to Budget

Expenses were $129.6 million higher than budget, primarily because of the introduction of supplementary Farm Income Assistance Program payments. These increases were partially offset by reduced Farm Income Disaster Program payments.

- Farm income support expenses were $93.9 million over budget. These expenses included claims paid under the Farm Income Disaster Program (FIDP) and the Farm Income Assistance Program (FIAP). FIDP costs were $145.6 million under budget primarily for two reasons. Actual claims paid for the 1998 and 1999 claim years were lower than the estimates used in last year's financial statements. The difference between estimated and actual claims for last year was accounted for as a reduction in the estimated claims for this year. FIDP costs were also under budget because of lower payments for the 2000 claim year due to the effect of Farm Income Assistance Program payments. Unbudgeted FIAP expenditures were $239.5 million. The increases in expenditure were authorized by a supplementary estimate.

- Insurance expenses were $25.6 million higher than budget because of increased participation in the crop insurance programs and higher than anticipated indemnities due to drought conditions in many areas of the Province.
- Anticipated reductions in restricted expenses and quota exchange payments were not achieved. As a result, these expenditures were $13 million greater than budget. However, these increases were offset by a corresponding increase in restricted revenue and quota exchange receipts.
- Industry development expenditures exceeded budget by $2.9 million, primarily as a result of increased expenditures associated with research initiatives undertaken in partnership with industry. These expenditures were partially offset by increased project contributions revenues from industry partners.
- Farm Fuel Distribution Allowance expenditures were $1.1 million lower than budget, resulting from slightly lower sales volumes of farm fuel.
- Sustainable agriculture sector incurred some one-time expenditures: $2 million was allocated to fund a study in partnership with Alberta Environment to ascertain the effects of gas flare emissions on livestock and the environment while $1.2 million was allocated to support the delivery of the dugout pumping program. The sector also incurred increased expenditures associated with dedicated revenue initiatives, the reallocation of manpower to technical services projects, implementation of the Cows and Fish Program, the Intensive Livestock Operations review and the purchase of laboratory equipment for food safety programs. These unanticipated expenditures account for the majority of the $5.9 million variance from budget.
- Infrastructure assistance expenditures were $9.5 million lower than budget due to a lower than anticipated number of approved Municipal Wastewater Infrastructure projects.
- Lending expenses were $1.4 million higher than budget due to new lending under the Alberta Farm Income Disaster Loan Program, higher lending under the Beginning Farmer Program and increases in the Alberta Opportunity Company loan portfolio. Increases were partially offset by lower interest rates.
- Development funding was $7 million higher than budget due to unanticipated one-time expenditures: $3 million was allocated to support Alberta Food Processor's Association initiatives, and $4 million in funding went to support the ongoing operations of the Beef Industry Development Fund.
- Valuation adjustments were $4.7 million lower than budget. The decrease was mainly due to a reduction in provision for losses on loans and guarantees as a result of an increased cash flow in the farm economy and lower loan arrears.
- Debt servicing costs were $6.8 million lower than budget resulting from decreases in lending rates.

Expenses Compared to 1999-2000

Expenses were up $4.5 million from last year. Highlights of the spending picture for 2000-2001 compared to 1999-2000 are as follows:

- Farm income support expenses were $105.2 million lower than those in 1999-2000. These expenses include Farm Income Assistance Program expenditures, which were $239.5 million compared to $131.4 million in 1999-2000. The major reduction was in Farm Income Disaster Program (FIDP) expenses in 2000-2001, which were $22.5 million compared to 1999-2000 expenditures of $236.3 million. In 1999-2000, FIDP payments included the impact of additional payments relative to retroactive changes for the 1998 and 1999 claim years.

- Insurance expenses were $112.3 million higher than 1999-2000 because of increased participation in the programs and higher indemnities resulting from drought conditions in some areas of Alberta.
- Restricted expenses and quota exchange payments were $9.1 million greater than 1999-2000 due to an increase in contributions received for the milk price equalization pool.
- Sustainable agriculture sector incurred some one-time expenditures. Funding was allocated to support the implementation of a gas flare study, the delivery of the dugout pumping program and the implementation of the Cows and Fish Program. These expenditures account for the majority of the $3.8 million variance from 1999-2000.
- Infrastructure assistance expenditures were $8 million lower than 1999-2000 due to a reduction in the number of approved municipal wastewater projects in 2000-2001.
- Lending expenses were $3.5 million higher than 1999-2000 mainly due to increases in lending. Increases were partially offset by lower interest rates.
- Development funding was $16.6 million lower than 1999-2000. Budgeted funding decreases were offset by one-time contributions to support Alberta Food Processor's Association initiatives and ongoing support to the Beef Industry Development Fund.
- Valuation adjustments were $6.5 million lower than 1999-2000 reflecting lower provisions for loan losses.
- Debt servicing costs were $6.9 million higher than 1999-2000 due to an increase in borrowing to fund additional demand for lending under the Beginning Farmer and Disaster Programs.

Performance Measures Summary

The macro performance measures for fiscal 2000-2001 show measures 1, 2 and 3 exceeding the forecasts while measures 4, 5 and 6 did not reach the target levels anticipated. Here is a summary discussion of the comparison of actual results against the forecasts for each of the Ministry's six macro performance measures. The forecasts appear in the 2000-2001 to 2002-2003 business plan prepared in late summer 1999.

Measure 1
Percentage of Canadian farm cash receipts Alberta farmers account for

- Alberta's farm cash receipts (FCR) were forecast to be $6.5 billion in 2000. FCR for 2000 were $7.4 billion, up $900 million or 13.8 per cent over forecast. Livestock prices increased, particularly for hogs, as did overall output. Record crop production in 1999 resulted in crop receipts above expectations. Livestock receipts increased over $531 million. An additional $492 million in program payments were made directly to farmers during 2000.
- Alberta's FCR were forecast to be 21.7 per cent of the total Canadian FCR in 2000. The sharp increase in FCR pushed Alberta's receipts as a per cent of Canadian FCR to 22.6 per cent, well above the forecast.

Measure 2
Net cash income of Alberta farmers and ranchers

- The forecast for Alberta's net cash income (NCI) at $1.0 billion for 2000 was $574 million below the actual net cash income for 2000. Substantially higher farm cash receipts more than offset forecasted increases in expenses. Further, at the time the forecasts were made in 1999, there was no indication that direct government program payments would increase by over $491 million.

- Alberta NCI as a per cent of Canada was forecast to be 17.5 per cent. In Alberta, the increase was far greater than any other province. Alberta NCI accounted for 22.3 per cent of Canadian NCI.

Measure 3
Percentage contributed by Alberta's food and beverage industry of Canada's total value of shipments

- The total value of shipments from Alberta's food and beverage industries for 2000 was a record $9.19 billion, an increase of 8.7 per cent above the forecast $8.45 billion and a 13.7 per cent increase over 1999. The largest sector of the food and beverage industry was "meat products manufacturing," which increased by 17.4 per cent, a gain of over $700 million. The next largest increase occurred in "dairy products manufacturing" with a year-to-year increase of $357 million or 31 per cent. The particularly large increase in meat and dairy products manufacturing was not anticipated at the time the forecasts were developed.

- The percentage of Canada's total value of shipments contributed by Alberta's food and beverage industries for 2000 was 13.7 per cent, above the forecast value of 13.2 per cent. The value of shipments of Alberta's food and beverage industry increased more in 2000 than any other province. The total increase was $1.11 billion and represented 32 per cent of the increase at the Canadian level.

Measure 4
Importance of Alberta's agriculture, food and beverage industries relative to Alberta's gross domestic product

- The importance of Alberta agriculture food and beverage industries relative to Alberta's gross domestic product has remained below 5.0 per cent since 1996. While the forecast for 2000 was 5.0 per cent, up slightly from previous levels, the current estimate puts the figure at 4.2 per cent, well below the forecast. At the time the forecast was developed, oil prices were averaging well below the levels recorded in 2000, particularly during the latter several months. Substantial increases in oil and natural gas prices resulted in significantly increased overall gross domestic product for the province and even though both primary and secondary agriculture combined grew by an estimated 11 per cent, increases in the mining sector (oil and gas) were estimated to have exceeded 40 per cent.

Measure 5
Employment in agriculture and food

- For the second year in a row, employment in the agriculture and food industries has not kept pace with expectations. The primary sector cut back significantly on the number of people employed. The forecast for 2000 was total employment in agriculture and food to reach 105,100 people, with a breakdown of 85,000 employed in the primary agriculture side and 20,100 employed in the food and beverage side.
- Not only was employment at the primary side down from the forecast of 85,000, actual employment at 69,300 for 2000 was far below anyone's expectations and somewhat beyond complete explanation. It has been speculated that lower margins in agriculture can explain part of the decrease; however, all sectors of primary agriculture recorded declines.
- In contrast, employment in the food and beverage industries increased by just over 2 per cent during 2000. The 2000 actual was 19,400, 3.5 per cent below the forecast. At the time the forecasts were made, it was anticipated that the increases expected in total value of shipments of the food and beverage industries would translate into additional jobs. Although the increases in value of shipments occurred, employment increases at similar rates did not occur.

Measure 6
Alberta land productivity indicator

- The Alberta land productivity indicator was forecast to reach 0.972 in 2000, in line with the long term trend line used to develop the forecasts. The actual index was 0.860, down 11.5 per cent from the forecast. Widespread dry conditions across the province and drought conditions over parts of southern Alberta resulted in an overall decrease of 13 per cent in total output of the major crops in 2000 compared to 1999.

Financial Information

Financial Statements

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Agriculture, Food and Rural Development as at March 31, 2001 and the consolidated statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Ministry. My responsibility is to express an opinion on these consolidated financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Ministry is required to follow the corporate government accounting policies and reporting practices established by Alberta Treasury, including the following policy that is an exception from Canadian generally accepted accounting principles. Capital assets costing less than $15,000 have been expensed in the year acquired and have not been recognized as an asset in the accompanying consolidated statement of financial position. Consequently, the annual amortization of these assets, and capital assets costing less than $15,000 expensed in past years, has not been recognized in the consolidated statement of operations. In my view, an amount of approximately $8.1 million, representing the net book value of capital assets expensed but still in use as at March 31, 2001, should be recognized in these financial statements. The effect of this understatement of assets is to overstate expenses by approximately $1.9 million for the year ended March 31, 2001.

In my opinion, except for the effects of the matter discussed in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Peter Valentine

Peter Valentine
FCA
Auditor General

Edmonton, Alberta
May 23, 2001

Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements 2000-2001

Consolidated Statement of Operations for the Year Ended March 31, 2001

(in thousands)

	2001 Budget	2001 Actual	2000 Actual
Revenues			
Interest and investment income	$ 86,521	$100,507	$ 82,878
Restricted revenue and quota exchange receipts	59,332	72,327	63,202
Transfers from Government of Canada	53,404	61,829	170,674
Premiums from insured persons	77,332	53,177	70,776
Fees, permits, licenses and other income	20,941	22,946	22,092
Internal government transfers	11,620	11,620	42,820
Amortization of loan discounts	868	548	1,081
Ministry revenue	**310,008**	**322,954**	453,523

continued

continued

Consolidated Statement of Operations for the Year Ended March 31, 2001

(in thousands)

	2001 Budget	2001 Actual	2000 Actual
Expenses (Schedule 1)			
Program –			
Farm income support	168,076	261,963	367,206
Insurance	189,528	215,169	102,859
Restricted expenses	59,322	72,327	63,202
Industry development	40,943	43,833	39,638
Sustainable agriculture	27,870	33,780	29,985
Planning and competitiveness	30,544	32,447	32,139
Farm fuel distribution allowance	33,500	32,401	32,771
Lending	27,604	28,992	25,506
Infrastructure assistance	28,700	19,246	27,268
Ministry support services	17,056	17,171	17,558
Public land management	10,350	10,172	8,558
Development funding	–	7,000	23,650
Valuation adjustments	8,240	3,575	10,157
Program expense	**641,733**	**778,076**	780,497
Debt servicing costs –			
Agriculture Financial Services Corporation	60,102	53,251	46,822
Alberta Opportunity Company	5,100	5,194	4,718
	65,202	**58,445**	51,540
Ministry expense	**706,935**	**836,521**	832,037
Net recoverable amounts	–	–	38
Loss on disposal of assets	(20)	(69)	(9)
Net operating results	**$(396,947)**	**$(513,636)**	**$(378,485)**

The accompanying notes and schedules are part of these consolidated financial statements.

Ministry - continued

Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements 2000-2001

Consolidated Statement of Financial Position as at March 31, 2001

(in thousands)

	2001	2000
Assets		
Cash	$ 55,120	$ 29,467
Accounts receivable	16,405	9,070
Due from Government of Canada	81,194	159,842
Loans receivable *(Schedule 2)*	927,204	827,178
Inventories	854	286
Investments *(Schedule 3)*	411,802	439,093
Capital assets *(Schedule 4)*	58,867	58,763
	$1,551,446	**$1,523,699**
Liabilities		
Accounts payable and accrued liabilities	$ 151,457	$ 219,069
Indemnities payable	114,569	226,638
Allowance for losses on loan guarantees	1,961	2,649
Debentures, notes and interest payable to the Province of Alberta *(Schedule 5)*	867,381	771,792
Unearned revenue	2,230	391
Deferred contributions *(Note 5)*	10,448	10,563
	1,148,046	1,231,102
Net Assets		
Net assets at beginning of year	292,597	393,766
Net operating results	(513,636)	(378,485)
Net transfer from general revenues	624,439	277,316
Net assets at end of year	**403,400**	292,597
	$1,551,446	**$1,523,699**

The accompanying notes and schedules are part of these consolidated financial statements.

Ministry – continued
Ministry of Agriculture, Food and Rural Development – Consolidated Financial Statements
2000-2001

Consolidated Statement of Changes in Financial Position for the Year Ended March 31, 2001

(in thousands)

	2001	2000
Operating Transactions		
Net operating results	$(513,636)	$(378,485)
Non-cash items *(Note 6)*	11,833	15,786
Net change in operating assets and liabilities *(Note 6)*	(109,394)	189,980
Cash used by operating transactions	**(611,197)**	(172,719)
Investing Transactions		
Net loan disbursements and proceeds from repayments of loans receivable and sale of properties	(101,360)	(57,976)
Change in investments	27,291	(92,039)
Purchase of capital assets	(7,961)	(8,702)
Amortization of central finance system	(139)	–
Proceeds on disposal of capital assets	268	96
Transferred assets	–	(7)
Cash used by investing transactions	**(81,901)**	(158,628)
Financing Transactions		
Borrowing from the Province of Alberta	436,943	174,154
Repayment of borrowing from the Province of Alberta	(342,631)	(143,115)
Net transfer from general revenues	624,439	277,316
Cash provided by financing transactions	**718,751**	308,355
Net cash provided (used)	25,653	(22,992)
Cash, beginning of year	29,467	52,459
Cash, end of year	**$ 55,120**	**$ 29,467**

The accompanying notes and schedules are part of these consolidated financial statements.

Notes to the Consolidated Financial Statements for the year ended March 31, 2001

Note 1 Authority and Reporting Entity

The Minister of Agriculture, Food and Rural Development has been designated as responsible for various Acts by the Government Organization Act and its regulations. To fulfill these responsibilities, the Minister administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Agriculture, Food and Rural Development and constitute the reporting entity.

Organization	Authority
Department of Agriculture, Food and Rural Development (the Department)	Government Organization Act
Crop Reinsurance Fund of Alberta	Agriculture Financial Services Act
Agriculture Financial Services Corporation (the Corporation)	Agriculture Financial Services Act
Alberta Opportunity Company (the Company)	Alberta Opportunity Fund Act
Alberta Dairy Control Board (the Board)	Dairy Board Act

The financial statements for the individual entities provide more detailed information about the operations of each entity.

Note 2 Purpose

The purpose of the Ministry is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

Note 3 Summary of Significant Accounting Policies and Reporting Practices

These consolidated financial statements are prepared in accordance with the following accounting policies:

(a) Method of Consolidation

The accounts of the Department, regulated funds and provincial agencies are consolidated after adjusting them to a basis consistent with the accounting policies described below in (b). Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between entities within the Ministry have been eliminated.

(b) Basis of Financial Reporting

Revenues – All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year-end is recorded as unearned revenue. Interest revenue on loans receivable is recognized as earned unless the ultimate collection of the loan is in doubt. When a loan is classified as doubtful, interest revenue is no longer recognized.

Funds collected in the operation of price equalization pools or under various agreements are restricted contributions subject to externally imposed stipulations that specify the purpose for which the funds are to be used. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue.

Expenses

Directly Incurred – Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for, as reflected in the government's budget documents.

Directly incurred expenses include:

- amortization of capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- Valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees, and indemnities.

Note 3 continued

- Provision for losses on loans and guarantees which are established for specifically identified potential losses on loans and guarantees as well as for anticipated but not specifically identified losses. Since the amounts and timing of future cash flows cannot be estimated with reasonable reliability, specific provisions are established by discounting the estimated fair value of security. The change in the present value attributed to the passage of time on the expected future cash flow is adjusted against the provision for doubtful accounts.

Incurred by Others – Services contributed by other entities in support of the Ministry operations are disclosed in Schedule 7.

Assets – Cash consists of deposits in the Consolidated Cash Investment Trust Fund (the "Fund") of the Province of Alberta. The Fund is being managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. The Ministry earns interest on its daily cash balance at the average rate of earnings of the Fund, which varies depending upon the prevailing interest rates. The fair value of the Ministry's investments in the Fund is estimated to approximate their carrying amounts due to their short-term nature.

Inventory of property held for sale is recorded at the lower of cost and estimated net realizable value. Cost is comprised of the balance of the loan at the date on which title to the property is obtained plus subsequent disbursements related to the property less any revenues or lease payments received.

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, advances, accounts payable and accrued liabilities, and unearned revenues are estimated to approximate their book values. Fair values of loans are disclosed in Schedule 2.

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments, when the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

Loans made on significant concessionary terms are discounted. The amounts outstanding are discounted to their estimated present value. The amounts discounted are amortized to revenue over the lives of the concessionary terms.

Capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. Capital assets are restricted to those acquired for cash or exchanged for other assets. Assets acquired by right are not included.

Liabilities – Liabilities include financial claims payable by the Ministry at fiscal year end.

Net Assets – Net assets represent the difference between the value of assets held by the Ministry and its liabilities.

Measurement Uncertainty – Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Indemnities payable, recorded as $114,569,649 in these financial statements, are subject to measurement uncertainty.

Indemnities payable consists of known liabilities payable at the year end and estimated additional liabilities for indemnities based on historical information about the relationships between the number of claim applications received and the average amount of each application.

The Corporation implemented the Farm Income Disaster Program for the 1995 crop year. The Program may pay a farm business when it experiences a disastrous drop in margins on farm operations.

If the program margin falls below 70% of the average margin for the best three of the previous five years, an indemnity may be payable. Applications can be submitted for the 2000 tax year until July 31, 2001 and indemnities are paid after applications are received and approved.

Note 3 continued

The Corporation has recorded a liability to provide for estimated indemnities under the Program of $110,428,618. Indemnities to be paid for the 2000 tax year may be more or less than the amount recorded because the majority of the 2000 applications are not received until after March 31, 2001. It is also difficult to predict the estimated indemnities payable because of the impact disasters will have on gross margins. Indemnities payable for the 2000 tax year may be as low as $81,000,000 or as high as $121,000,000. Indemnities payable under the Program are limited to a maximum of $200,000,000 for claims from producers who have year ends in any fiscal year.

Loans receivable, recorded as $927,204,469 in these financial statements, is subject to measurement uncertainty. Loans receivable have been reduced by a provision of $36,201,519. The provision, estimated by management, could change significantly in the future, leading to a material change in the provision for losses amount recorded.

Note 4 Restrictions on Net Assets

The Board has internally restricted net assets on quota exchange transfers. These net assets will be used to cover any future quota exchange transaction deficiencies. The last quota exchange operated by the Board was held on July 22, 1999.

Note 5 Deferred Contributions

Deferred contributions represent Canada-Alberta Partnership on Agri-food contributions, premiums from insured persons and unspent contributions externally restricted for price equalization, milk promotion, Alberta Milk Producers Society membership, and nutrition education purposes.

Note 6 Non-Cash Items and Net Changes in Operating Assets and Liabilities

The consolidated statement of changes in financial position includes the following items:

	2001	**2000**
	(in thousands)	
Amortization	$ 6,913	$ 6,620
Amortization of loan discounts	1,276	(1,012)
Valuation adjustments	3,575	10,157
Loss on disposal of capital assets	69	21
Non-cash items	$ 11,833	$ 15,786
Decrease (increase) in accounts receivable	$ 69,884	$(98,097)
Increase (decrease) in accounts payable	(68,787)	157,691
Increase in inventories	(146)	(509)
Increase (decrease) in unearned revenue	1,839	(889)
Increase (decrease) in deferred contributions	(115)	553
Increase (decrease) in indemnities payable	(112,069)	131,231
Net changes in operating assets & liabilities	$(109,394)	$189,980

Note 7 Credit and Interest Risk

Credit Risk – Credit risk is the risk that debtors may not pay amounts owing to entities within the Ministry. To mitigate this risk, entities closely monitor and counsel high-risk accounts, such as beginning and developing agricultural loans. Security requirements proportionate to the degree of risk in each particular operation are also enforced.

Interest Risk – Interest rate risk is the impact future interest rate changes have on the financial position of the Ministry. This risk is managed by monitoring the mix of short, medium, and long-term lending and matching with terms of amounts borrowed.

Note 7 continued

The gaps between the loans receivable and debentures, notes, and interest payable represent the mismatching of the financing portfolio with that of the loan portfolio at March 31, 2001. The gaps provide an indication of interest rate exposure, or the potential risks to the Ministry if interest rates change.

	Term to Maturity [1]				Not Interest Rate	2001	2000
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Sensitive [2]	Total	Total
Direct farm loans	$ 51,230	$222,837	$250,902	$238,220	$11,654	$774,843	$679,441
Yield[3]	7.45%	7.40%	7.34%	7.43%	–	7.39%	7.49%
Agribusiness loans	4,425	14,786	9,032	2,595	1,555	32,393	30,761
Yield[3]	8.40%	8.58%	8.52%	8.35%	–	8.52%	7.78%
Business development loans	21,404	92,190	–	–	6,374	119,968	116,976
Yield[3]	11.92%	10.87%	–	–	–	11.07%	9.72%
Total	77,059	329,813	259,934	240,815	19,583	927,204	827,178
Yield[3]	8.75%	8.42%	7.38%	7.44%	–	7.91%	7.82%
Debentures & notes payable	184,245	314,101	244,877	113,496	9,386	866,105	771,792
Yield[3]	6.79%	5.71%	5.81%	5.98%	–	6.01%	6.22%
Net gap before pre-payment adjustment	(107,186)	15,712	15,057	127,319	10,197	61,099	55,386
Prepayment adjustment	32,687	60,703	(13,777)	(79,613)	–	–	–
Net gap	$ (74,499)	$ 76,415	$ 1,280	$ 47,706	$10,197	$ 61,099	$ 55,386

[1] Term to maturity reflects the period of time until a loan matures or where an interest rate is to be renegotiated.

[2] Includes indexed deferral loans, net impaired loans, general provisions, accrued beginning farmer incentives, accrued interest and unamortized loan discount.

[3] Yield represents the rate which discounts future cash receipts to the carrying amount.

Note 8 Pensions

The Ministry participates in the multi-employer pension plans, Management Employee Pension Plan and the Public Service Pension Plan. The department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these plans is equivalent to annual contributions of $5,230,715 for the period ended March 31, 2000 (2000 $4,766,000).

At December 31, 2000, the Management Employees Pension Plan reported a surplus of $104,658,000 (1999 $46,019,000) and the Public Service Pension Plan reported a surplus of $635,084,000 (1999 $517,020,000). At December 31, 2000, the Supplementary Retirement Plan for Public Service Managers had a surplus of $180,000 (1999 $33,000).

Note 9 Contingencies

At March 31, 2001, Ministry entities are defendants in legal claims with specified amounts totaling $20,415,800 (2000 $24,329,500). There are also claims outstanding for which amounts have not been specified. The resulting loss from these claims, if any, can not be determined.

Contingencies associated with loan guarantees at March 31 are $60,576,770 (2000 $59,389,000).

The resulting loss, if any, from these contingencies cannot be determined.

Note 10 Commitments

At March 31, commitments are comprised of the following:

	2001	2000
Estimated farm loan incentives	$ 18,639,235	$15,459,000
Approved, undisbursed loans	38,906,720	35,411,000
Reinsurance	37,525,000	10,270,000
Business development loans	7,780,000	9,275,000
Guarantees	375,000	990,000
Export guarantees	345,000	345,000
	$103,570,955	$71,750,000

Future minimum lease payments and estimated related costs for each of the next five years resulting from obligations under long-term, non-cancellable operating leases for premises are as follows:

2002	$487,000
2003	294,000
2004	178,000
2005	101,000
2006	61,000

These leases generally have five year terms, include five year renewal options, and provide for payment of operating expenses and real estate taxes in excess of the amounts established at the commencement of the leases.

Note 11 Guarantees

	2001	2000	Expiry Date
Feeder Associations	$49,875,000	$49,817,000	Ongoing
Agricultural Societies Act	2,581,000	3,106,000	2015
Alberta Opportunity Company guarantees	5,585,000	3,478,000	Variable
	$58,041,000	$56,401,000	

Prior to issuing a loan to the borrower, appropriate security is taken, which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated and typically range from prime to prime plus two per cent.

The expiry date shown for guarantees under the Agricultural Societies Act is the latest expiry date for guaranteed loans under the program.

Note 12 Budget

The 2000 – 2001 Government and Lottery Fund Estimates were approved on May 5, 2000. Supplementary Estimates were approved on December 4, 2000. Treasury Board approval is pursuant to Section 29 (1.1) of the Financial Administration Act.

Note 13 Trust Funds under Administration

The Ministry administers trust funds which are regulated funds consisting of public money over which the Legislature has no power of appropriation. Since the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's consolidated financial statements.

As at March 31, trust funds under administration were as follows:

	2001	2000
	(in thousands)	
Wheat Board Monies Trust Fund	$ 99	$ 98
4-H Scholarship Trust Fund	62	64
4-H General Trust	102	112
Claude Gallinger Memorial Trust Fund	24	24
	$287	$298

Note 14 Comparative Figures

Certain 2000 figures have been reclassified to conform to the 2001 presentation.

Note 15 Government Restructuring

As a result of government restructuring announced on March 15, 2001, responsibility for Public Lands and the Surface Rights and Land Compensation Boards was transferred to the newly established Ministry of Sustainable Resource Development.

Since the 2000-2001 fiscal year was substantially completed prior to this announcement, these financial statements have been prepared as if the restructuring took place on April 1, 2001, to provide proper accountability for the 2000-2001 fiscal year against the original business plan.

Note 16 Approval of Consolidated Financial Statements

The consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Ministry - continued

Ministry of Agriculture, Food and Rural Development – Schedule of Expenses Directly Incurred Detailed by Object for the Year Ended March 31, 2001

Schedule 1

(in thousands)

	2001 Budget	2001 Actual	2000 Actual
Indemnities	$325,291	$207,857	$312,904
Salaries, wages, employment contracts and benefits	104,775	110,743	97,259
Grants	85,754	323,338	239,420
Interest	70,123	65,412	57,177
Supplies and services	44,153	45,536	44,356
Amortization of capital assets	7,196	6,913	6,770
Other expenses	2,081	820	792
Valuation adjustments	8,240	3,575	10,157
Subtotal	647,613	764,194	768,835
Restricted expenses and quota exchange payments	59,322	72,327	63,202
Total	$706,935	$836,521	$832,037

Ministry - continued

Ministry of Agriculture, Food and Rural Development - Schedule of Loans Receivable for the Year Ended March 31, 2001

Schedule 2

(in thousands)

	2001	2000
Loans receivable	$944,023	$846,290
Accrued interest	26,769	23,778
	970,792	870,068
Less allowance for doubtful accounts	(36,202)	(37,261)
Less accrued incentives	(2,630)	(2,335)
Less loan discounts	(4,756)	(3,294)
	$927,204	$827,178

The allowance for doubtful accounts of $36,202 (2000 $37,261) includes a specific allowance for $8,108 (2000 $6,738) on impaired loans outstanding of $25,373 (2000 $126,713), excluding unamortized loan discount.

The Ministry's loan portfolio is comprised of loans for the Corporation of $807,236 (2000 $710,202) and loans for the Company of $119,968 (2000 $116,976).

The approximate fair value of the Corporation's loan portfolio at March 31, 2001 is $733,850 (2000 $642,451). Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Fair values of loans for the Company are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

Ministry of Agriculture, Food and Rural Development - Schedule of Investments for the Year Ended March 31, 2001

Schedule 3
(in thousands)

	2001	2000
Bonds and debentures		
Government of Canada, direct and guaranteed	$214,904	$281,430
Other provincial, direct and guaranteed	124,689	92,561
	339,593	373,991
Fair value[1]	350,957	378,538
Marketable securities		
Corporate	66,212	57,097
Fair value[1]	69,735	58,005
	405,805	431,088
Accrued interest	5,997	8,005
	$411,802	$439,093
Fair value[1]	$420,692	$436,543

	Term to Maturity [2]				2001	2000
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Total	Total
Bonds and debentures	$23,586	$293,970	$15,030	$7,007	$339,593	$373,991
Yield [3]	4.85%	5.84%	6.27%	5.88%	5.79%	5.74%
Securities	–	66,212	–	–	66,212	57,097
Yield [3]	–	6.55%	–	–	6.55%	6.55%
	23,586	360,182	15,030	7,007	405,805	431,088
Accrued interest	331	5,255	284	127	5,997	8,005
	$23,917	$365,437	$15,314	$7,134	$411,802	$439,093

[1] Fair value is based on quoted market prices. Fair value does not include accrued interest.

[2] For loans, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the loan. For debentures and notes payable, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the long-term debt. The interest rates are fixed for either a five year period or until maturity. Repayment is either by semi-annual or annual installments of principal. The Provincial Treasurer may permit all or part of debentures to be redeemed by the issuer prior to maturity without penalty and the Corporation will redeem debentures when cash flow is adequate and the Provincial Treasurer authorizes redemption. For investments, term to maturity classifications are based on contractual maturity of the security.

[3] For loans and investments, yield represents the rate which discounts future cash receipts to the carrying amount. For debentures and notes payable, yield represents the rate which discounts the stream of future payments from the reporting date to the next interest rate renegotiation date.

Ministry - continued

Ministry of Agriculture, Food and Rural Development – Schedule of Capital Assets for the Year Ended March 31, 2001

Schedule 4

(in thousands)

		2001			2000
	Estimated Useful Life	**Cost**	**Accumulated Amortization**	**Net Book Value**	**Net Book Value**
Land	Indefinite	$ 115	$ –	$ 115	$ 115
Buildings	40 years	6,878	2,322	4,556	3,185
Equipment*	5-10 years	19,849	11,960	7,889	5,323
Computer hardware and software	3-5 years	25,078	9,307	15,771	16,342
Leasehold improvements	Term of lease	153	141	12	19
Rail hopper cars	35 years	51,622	29,754	21,868	23,593
Land improvements	15-20 years	43,405	34,844	8,561	10,186
Dams and water management structures	20 years	97	2	95	-
		$147,197	$88,330	$58,867	$58,763

* Equipment includes heavy equipment, vehicles, and furniture.

Ministry - continued

Ministry of Agriculture, Food and Rural Development – Schedule of Debentures, Notes and Interest Payable for the Year Ended March 31, 2001

Schedule 5

(in thousands)

Debentures, notes and interest payable to the Province of Alberta by the Ministry are comprised of the following:

Series	Year of Maturity	Interest Rate	Principal Outstanding 2001	2000
Short term note	2000	4.71%	$ 28,716	$148,218
Debenture A	2004	9.95%	30,120	39,720
Debenture C	2005	8.53%	-	28,000
Debenture D	2006	8.25%	21,000	48,500
Debenture E	2006 - 2007	7.41%	46,200	52,800
Debenture H	2010 - 2011	8.50%	-	64,310
Debenture K	2011	8.16%	-	30,135
Debenture L	2001 - 2002	7.37%	7,476	21,237
Note payable 001	2011	7.56%	20,066	21,279
Note payable 002	2010	5.58%	43,747	46,973
Note payable 003	2013	5.39%	42,845	45,192
Note payable 004	2013	5.39%	30,512	32,164
Note payable 005	2016	6.52%	95,351	98,923
Note payable 006	2010	5.90%	97,798	-
Note payable 007	2016	5.94%	24,500	-
Note payable 008	2016	5.86%	49,287	-
Note payable 009	2011	5.57%	149,576	-
Note payable 010	2005	5.23%	25,000	-
Note payable 011	2003	4.81%	26,453	-
Note payable 012	2004	5.05%	25,963	-
Note 001	2001	5.65%	-	3,981
Note 002	2001	6.75%	-	8,000
Note 005	2002	5.44%	13,250	13,250
Note 008	2002	5.00%	12,240	12,240
Note 013	2003	5.00%	14,200	14,200
Note 015	2003	5.10%	10,000	10,000
Note 019	2004	5.30%	6,000	6,000
Note 020	2000	Discount note 5.81% yield	-	9,600
Note 021	2001	Discount note 6.00% yield	-	9,000
Note 022	2000	Discount note 5.15% yield	-	1,600
Note 023	2004	5.75%	6,000	-
Note 024	2001	5.68%	13,282	-
Note 025	2005	7.50%	13,725	-
Premium on notes payable			1,276	-
			854,583	765,232
Interest			12,798	7,438
Less unamortized discounts			-	878
			$867,381	$771,792
Fair value			$869,209	$769,847

Ministry of Agriculture, Food and Rural Development - Schedule of Debentures, Notes and Interest Payable for the Year Ended March 31, 2001

Schedule 5 continued
(in thousands)

Fair values for debentures and notes are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. These include the following:

(a) a liquidity premium to reflect the fact that if the debentures and notes are sold, there will be a limited pool of these securities trading in the market, they would be new to the market and are not direct issues of the Province,

(b) a premium for periodic interest reset features,

(c) a factor to reflect the blended payment structure of the debentures and notes.

Scheduled principal repayments are as follows:	2002	$184,245
	2003	62,488
	2004	94,955
	2005	80,386
	2006	77,258
		$499,280

Ministry - continued

Ministry of Agriculture, Food and Rural Development - Consolidated Schedule of Related Party Transactions for the Year Ended March 31, 2001

Schedule 6

(in thousands)

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

	2001	2000
Revenues -		
Grants	$11,620	$42,820
Fees and charges	1	1
Other	-	28
Interest	529	514
	$12,150	$43,363
Expenses -		
Grants	$ 232	$ 624
Accommodation	-	241
Other services	4,752	3,452
Interest	57,678	51,540
	$62,662	$55,857
Capital assets transferred	$ -	$ 7

The above transactions do not include support service arrangement transactions disclosed in Schedule 7.

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements and are disclosed in Schedule 7.

	2001	2000
Expenses incurred by others -		
Accommodation	$11,466	$9,035
Other services	276	231
	$11,742	$9,266

Ministry – continued
Ministry of Agriculture, Food and Rural Development – Schedule of Allocated Costs for the Year Ended March 31, 2001

Schedule 7
(in thousands)

	2001							2000
		Expenses – Incurred by Others		Valuation Adjustments [4]				
Program	**Expenses [1]**	**Accommodation Costs [2]**	**Legal Services [3]**	**Vacation Pay**	**Doubtful Accounts**	**Write Down – Capital Asset**	**Total Expenses**	**Total Expenses**
Farm income support	$261,963	$ –	$ –	$ 11	$ –	$ –	$261,974	$367,514
Insurance	215,169	–	–	–	(237)	–	214,932	103,242
Lending	87,437	–	–	–	382	–	87,819	86,068
Restricted expenses	72,327	–	–	–	–	–	72,327	63,202
Industry development	43,833	4,111	71	565	59	67	48,706	43,450
Sustainable agriculture	33,780	3,557	76	204	29	260	37,906	32,365
Planning and competitiveness	32,447	1,582	76	136	–	416	34,657	33,235
Farm fuel distribution allowance	32,401	–	–	–	–	–	32,401	32,771
Ministry support services	17,171	1,230	50	175	1,345	4	19,975	19,893
Infrastructure assistance	19,246	–	–	–	–	–	19,246	27,268
Public land management	10,172	986	3	83	75	–	11,319	9,375
Development funding	7,000	–	–	–	–	–	7,000	23,650
	$832,946	$11,466	$276	$1,174	$1,653	$747	$848,262	$842,033

[1] Expenses – Directly incurred as per the Statement of Operations, excluding valuation adjustments.

[2] Costs shown for Accomodations (includes grants in lieu of taxes) on Schedule 7, allocated based on budgeted full time equivalent (FTE).

[3] Costs shown for Legal Services on Schedule 7, allocated by estimated costs incurred by each program.

[4] Valuation Adjustments as per Statement of Operations. Employee Benefits and Doubtful Accounts provision included in Valuation Adjustments were allocated as follows:

- Vacation pay – allocated to the program by employee
- Doubtful accounts provision – estimated allocation to program

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AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Minister of Agriculture, Food and Rural Development

I have audited the statement of financial position of the Department of Agriculture, Food and Rural Development as at March 31, 2001 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Department. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Department is required to follow the corporate government accounting policies and reporting practices established by Alberta Treasury, including the following policy that is an exception from Canadian generally accepted accounting principles. Capital assets costing less than $15,000 have been expensed in the year acquired and have not been recognized as an asset in the accompanying statement of financial position. Consequently, the annual amortization of these assets, and capital assets costing less than $15,000 expensed in past years, has not been recognized in the statement of operations. In my view, an amount of approximately $8.1 million, representing the net book value of capital assets expensed but still in use as at March 31, 2001, should be recognized in these financial statements. The effect of this understatement of assets is to overstate expenses by approximately $1.9 million for the year ended March 31, 2001.

In my opinion, except for the effects of the matter discussed in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Peter Valentine

Peter Valentine
FCA
Auditor General

Edmonton, Alberta
May 23, 2001

Statement of Operations for the Year Ended March 31, 2001

(in thousands)

	2001 Budget (Schedule 4)	2001 Actual	2000 Actual
Revenues (Schedules 1 and 2)			
Fees, permits and licenses	$ 12,383	$ 11,896	$ 12,064
Internal government transfers	11,620	11,620	42,820
Other revenue	2,530	6,827	4,952
Transfers from the Government of Canada	100	309	12,036
	26,633	**30,652**	71,872
Expenses – Directly Incurred (Note 2b and Schedule 8)			
Voted (Schedules 2, 3 and 5 and Note 8)			
Industry development	40,129	42,781	38,698
Sustainable agriculture	27,870	33,780	29,985
Planning and competitiveness	30,544	32,447	32,139
Infrastructure assistance	28,700	19,246	27,268
Ministry support services	17,056	17,213	17,558
Public land management	10,350	10,172	8,558
Financial assistance to Alberta Opportunity Company	5,524	5,524	5,575
Agriculture assistance –			
Farm income assistance program	–	239,499	131,400
Crop insurance	58,967	52,043	55,275
Farm fuel distribution allowance	33,500	32,401	32,771
Lending assistance	25,774	13,985	18,441
Development funding	–	7,000	23,650
Farm income disaster program	166,691	6,446	132,858
Wildlife damage	2,857	3,537	1,396
	447,962	**516,074**	555,572

continued

continued

Statement of Operations for the Year Ended March 31, 2001
(in thousands)

	2001 Budget (Schedule 4)	2001 Actual	2000 Actual
Statutory (Schedules 5)			
Valuation adjustments -			
Provision for doubtful accounts	-	1,415	872
Provision for vacation pay and guarantees	(10)	1,175	295
Write-down of capital assets	-	747	-
Write-offs and losses	-	93	340
	(10)	3,430	1,507
Total expenses	447,952	519,504	557,079
Loss on disposal of capital assets	-	62	9
Net operating results	**$(421,319)**	**$(488,914)**	**$(485,216)**

The accompanying notes and schedules are part of these financial statements.

Statement of Financial Position as at March 31, 2001

(in thousands)

	2001	2000
Assets		
Cash	$ 482	$ 576
Accounts receivable *(Note 3)*	1,915	13,391
Advances	127	210
Capital assets *(Note 4)*	40,689	40,064
	$ 43,213	$ 54,241
Liabilities		
Accounts payable and accrued liabilities	$ 121,261	$ 269,652
Unearned revenue	2,230	391
	123,491	27,043
Net Liabilities		
Net liabilities at beginning of year	(215,802)	(7,902)
Net operating results	(488,914)	(485,216)
Net transfer from general revenues	624,438	277,316
Net liabilities at end of year	(80,278)	(215,802)
	$ 43,213	**$ 54,241**

The accompanying notes and schedules are part of these financial statements.

Statement of Changes in Financial Position for the Year Ended March 31, 2001

(in thousands)

	2001	2000
Operating Transactions		
Net operating results	$(488,914)	$(485,216)
Non cash items -		
Amortization	3,906	3,886
Valuation adjustments	3,430	1,507
Loss on disposal of capital assets	62	9
	(481,516)	(479,814)
Decrease (increase) in accounts receivable	9,968	(11,924)
Decrease in advances	83	11
(Decrease) increase in accounts payable and accrued liabilities	(149,566)	216,772
Increase (decrease) in unearned revenue	1,839	(889)
Cash used by operating transactions	**(619,192)**	(275,844)
Investing Transactions		
Purchase of capital assets *(Schedule 5)*	(5,427)	(1,465)
Amortization of central financial system	(140)	(137)
Transferred assets	-	(7)
Proceeds from disposal of capital assets	227	92
Cash used by investing transactions	**(5,340)**	(1,517)
Financing Transactions		
Net transfer from general revenues	**624,438**	277,316
Net cash used	(94)	(45)
Cash, beginning of year	576	621
Cash, end of year	**$ 482**	**$ 576**

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements March 31, 2001

Note 1 Authority and Purpose

The Department of Agriculture, Food and Rural Development operates under the authority of the Government Organization Act, Statutes of Alberta. The purpose of the Department is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments. The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate.

(a) Reporting Entity

The reporting entity is the Department of Agriculture, Food and Rural Development, which is part of the Ministry of Agriculture, Food and Rural Development and for which the Minister of Agriculture, Food and Rural Development is accountable. Other entities reporting to the Minister include:

- Agriculture Financial Services Corporation,
- Alberta Opportunity Company,
- Alberta Dairy Control Board, and
- Crop Reinsurance Fund of Alberta.

The activities of these organizations are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Provincial Treasurer. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues - All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers - Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Dedicated Revenue - Dedicated revenue initiatives provide a basis for authorized spending. Dedicated revenues must be shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenues exceed budget, the Department may, with the approval of Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's dedicated revenue initiatives.

Expenses

Directly Incurred - Directly incurred expenses are those costs the department has primary responsibility and accountability for, as reflected in the government's budget documents.

Directly incurred expenses include:

- amortization of capital assets
- pension costs which comprise the cost of employer contributions for current service of employees during the year

Note 2 continued

- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees, and indemnities.

Incurred by Others – Services contributed by other entities in support of the department's operations are disclosed in Schedule 8.

Assets – Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100,000 and the threshold for all other capital assets is $15,000.

Liabilities – Liabilities include all financial claims payable by the Department at fiscal year end.

Net Liabilities – Net liabilities represent the difference between the value of assets held by the Department and its liabilities.

Valuation of Financial Assets and Liabilities – Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, advances, accounts payable and accrued liabilities and unearned revenues are estimated to approximate book values.

Note 3 Accounts Receivable

	2001			2000
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
		(in thousands)		
Accounts receivable	$2,211	$482	$1,729	$13,366
Refunds from suppliers	186	–	186	25
	$2,397	$482	$1,915	$13,391

Accounts receivable are unsecured and non-interest bearing.

Note 4 Capital Assets

	2001				2000
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
			(in thousands)		
Buildings	40 years	$ 3,959	$ 1,385	$ 2,574	$ 1,087
Equipment*	10 years	16,038	9,621	6,417	3,889
Computer hardware and software	3-5 years	2,472	1,298	1,174	1 309
Rail hopper cars	35 years	51,622	29,754	21,868	23,593
Land improvements	15-20 years	43,405	34,844	8,561	10,186
Dams and water management structures	20 years	97	2	95	-
		$117,593	$76,904	$40,689	$40,064

* Equipment includes farming and research equipment as well as trucks for hauling.

Note 5 Contingencies

At March 31, 2001, the Department is a defendant in six legal claims (2000 - eight legal claims). These claims have specified amounts totaling $1,888,800 (2000 - seven claims with a specified amount of $5,882,500 and one with no specified amount). Included in the total legal claims are two claims amounting to $1,407,000 in which the Department has been jointly named with other entities. Two claims amounting to $1,482,000 are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

Note 6 Guarantees

	2001	2000	Expiry Date
	(in thousands)		
Feeder Associations	$49,875	$49,817	Ongoing
Agricultural Societies Act	2,581	3,106	2015
	$52,456	$52,923	

Guarantee programs under the following Acts are ongoing:

- Feeder Associations Guarantee Act (authorized guarantee limit set by Order in Council is $55 million)
- Agricultural Societies Act (authorized guarantee limit set by statute is $50 million)

The lender takes appropriate security prior to issuing a loan to the borrower which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower and typically range from prime to prime plus two per cent.

The expiry date shown for guarantees under the Agricultural Societies Act is the latest expiry date for guaranteed loans under the program.

Note 7 Trust Funds Under Administration

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

As at March 31, 2001, trust funds under administration were as follows:

	2001	2000
	(in thousands)	
Wheat Board Monies Trust Fund	$ 99	$ 98
4-H Scholarship Trust Fund	62	64
4-H General Trust	102	112
Claude Gallinger Memorial Trust Fund	25	24
	$288	$298

Note 8 Payments Under Agreements

(amounts in thousands)

The Department has entered into an agreement to deliver programs that are fully funded by the Government of Canada. Costs incurred under the Livestock Expansion and Development agreement were made by the Department under authority of the Financial Administration Act, Section 29.1. Accounts Payable includes $91 (2000 $119) relating to payments under agreement. Amounts paid or payable under the agreement during the year were $60 (2000 $5).

Note 9 Pensions

The Department participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $3,945,000 for the year ending March 31, 2001 (2000 $3,621,000).

At December 31, 2000, the Management Employees Pension Plan reported a surplus of $104,658,000 (1999 $46,019,000) and the Public Service Pension Plan reported a surplus of $635,084,000 (1999 $517,020,000). At December 31, 2000, the Supplementary Retirement Plan for Public Service Managers had a surplus of $180,000 (1999 $33,000).

Note 10 Government Restructuring

As a result of government restructuring announced on March 15, 2001, responsibility for Public Lands and the Surface Rights and Land Compensation Boards was transferred to the newly established Ministry of Sustainable Resource Development.

Since the 2000-2001 fiscal year was substantially completed prior to this announcement, these financial statements have been prepared as if the restructuring took place on April 1, 2001, to provide proper accountability for the 2000-2001 fiscal year against the original business plan.

Note 11 Comparative Figures

Certain 2000 figures have been restated to conform to the 2001 presentation.

Note 12 Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Revenues for the Year Ended March 31, 2001

Schedule 1

(in thousands)

	2001 Budget	2001 Actual	2000 Actual
Fees, permits and licenses			
Lands and grazing	$10,500	$10,220	$10,208
Food processing centre fees	430	464	511
Livestock water program	140	367	365
Meat services	201	190	124
Aquaculture, sheep and diversified livestock	273	129	141
Dairy laboratory and analytical services	51	36	60
Other	788	490	655
	12,383	$11,896	12,064
Internal government transfers			
Transfers from the Lottery Fund	11,620	11,620	42,820
Other revenue			
Project contributions	–	2,744	–
Previous year's refunds of expenditures	–	664	808
Surface rights – land lease	–	1,049	1,426
Publications	50	349	1,331
Green certificate and home study	780	356	405
Plant industry development partnership	833	168	400
Rail hopper car revenue	–	762	223
Surplus sales	–	41	28
Miscellaneous	867	694	331
	2,530	6,827	4,952
Transfers from the Government of Canada	100	309	12,036
	$26,633	$30,652	$71,872

Department of Agriculture, Food and Rural Development - Schedule of Dedicated Revenue Initiatives for the Year Ended March 31, 2001

Schedule 2

(in thousands)

	Authorized Dedicated Revenues	**Actual Dedicated Revenues**	**(Shortfall)/ Excess**
Ministry support services (a)	$ 225	$ 358	$ 133
Planning and competitiveness (b)	780	477	(303)
Industry development (c)	2,276	3,418	1,142
Sustainable agriculture (d)	11,087	11,727	640
	$14,368	$15,980	$1,612

(a) Authorized budget for Ministry Support Services dedicated revenue initiatives includes Publications Revenue ($225).

(b) Authorized budget for Planning and Competitiveness dedicated revenue initiatives includes Educational Services Revenue ($780).

(c) Authorized budget for Industry Development dedicated revenue initiatives includes: Food Processing Centre Fees ($997), various Plant Industry Programs ($880), various Animal Industry Programs ($392) and Miscellaneous Cost Recovery Programs ($7).

(d) Authorized budget for Sustainable Agriculture dedicated revenue initiatives includes: Public Land Management ($9,500), Grazing Reserves ($1,000), Food Safety Initiatives ($274), Resource Management and Irrigation ($148) and various Technical Services Programs ($165).

The revenue and expense of each initiative's dedicated revenue and expense are reported in the Statement of Operations.

Department - continued

Department of Agriculture, Food and Rural Development - Schedule of Expenses - Directly Incurred Detailed by Object for the Year Ended March 31, 2001

Schedule 3

(In thousands)

	2001 Budget	2001 Actual	2000 Actual
Voted			
Salaries, wages and employee benefits	$ 74,294	$ 75,154	$ 69,978
Supplies and services	26,708	31,655	27,829
Grants	342,639	405,023	453,529
Financial transactions and other	68	336	350
Amortization of capital assets	4,253	3,906	3,886
Total voted expenses	$447,962	$516,074	$555,572

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Authorized Budget for the Year Ended March 31, 2001

Schedule 4

(in thousands)

	2000-2001 Estimates	Authorized Supplementary (a)	2000-2001 Authorized Budget
Revenues			
Internal government transfers	$ 11,620	$ –	$ 11,620
Transfers from the Government of Canada	100	–	100
Fees, permits and licenses	12,225	–	12,225
Other revenue	2,688	–	2,688
	$ 26,633	$ –	$ 26,633
Expenses – directly incurred:			
Voted expenses			
Ministry support services	$ 17,056	$ –	$ 17,056
Planning and competitiveness	67,123	98,161	165,284
Industry development	51,629	1,270	52,899
Sustainable agriculture	55,420	693	56,113
Financial assistance to Alberta Opportunity Company	5,524	–	5,524
Agriculture insurance and lending assistance	251,210	–	251,210
	447,962	100,124	548,086
Statutory expenses			
Valuation adjustments			
Provision for doubtful accounts	–	–	–
Provision for vacation pay	(10)	–	(10)
Total expenses	447,952	100,124	548,076
Net operating results	$(421,319)	$(100,124)	$(521,443)
Capital investment	$ 1,591	$ –	$ 1,591

(a) Supplementary estimates were approved on December 4, 2000. Treasury Board approval is pursuant to section 29 (1.1) of the Financial Administration Act.

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2001

Schedule 5
(in thousands)

		2000-2001 Estimates	Authorized Supplementary (a)	2000-2001 Authorized Budget	2000-2001 Actual Expenses (b)	Unexpended (Over Expended)
Voted Expenses and Capital Investments						
1.0	Ministry Support Services					
1.0.1	Minister's Office	$ 395	$ -	$ 395	$ 351	$ 44
1.0.2	Standing Policy Committee on Agriculture, Environment and Rural Affairs	95	-	95	89	6
1.0.3	Deputy Minister's Office	316	-	316	369	(53)
1.0.4	Farmers' Advocate	549	-	549	565	(16)
1.0.5	Surface Rights and Land Compensation Boards	2,207	-	2,207	2,525	(318)
1.0.6	Finance					
	- Operating expense	3,948	-	3,948	3,938	10
	- Capital investment	-	-	-	12	(12)
1.0.7	Internal Audit	169	-	169	175	(6)
1.0.8	Information Technology					
	- Operating expense	2,452	-	2,452	2,911	(459)
	- Capital investment	70	-	70	55	15
1.0.9	Communications	2,979	-	2,979	2,791	188
1.0.10	Industry Information Network	959	-	959	941	18
1.0.11	Knowledge Management	507	-	507	487	20
1.0.12	Human Resources	1,849	-	1,849	1,759	90
1.0.13	Amortization of Capital Assets	631	-	631	312	319
	Total Program	17,126	-	17,126	17,280	(154)

Department - continued

Department of Agriculture, Food and Rural Development - Schedule of Comparison of Expenses - Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2001

Schedule 5 continued

		2000-2001 Estimates	Authorized Supplementary (a)	2000-2001 Authorized Budget	2000-2001 Actual Expenses (b)	Unexpended (Over Expended)
2.0	Planning and Competitiveness					
2.1	Program Support					
2.1.1	Assistant Deputy Minister	256	-	256	279	(23)
2.1.2	Policy Secretariat	2,838	-	2,838	3,165	(327)
2.1.3	Alberta Grain Commission	237	-	237	282	(45)
2.1.4	Amortization of Capital Assets	1,583	-	1,583	1,466	117
	Total Sub-program	4,914	-	4,914	5,192	(278)
2.2	Economics and Competitiveness					
2.2.1	Administrative Support	807	-	807	668	139
2.2.2	Grain Sector Task Force	251	-	251	204	47
2.2.3	Statistics and Data Development	813	-	813	920	(107)
2.2.4	Economics	981	-	981	866	115
2.2.5	Competitive Intelligence	246	-	246	281	(35)
2.2.6	Strategic Information Services	590	-	590	479	111
	Total Sub-program	3,688	-	3,688	3,418	270
2.3	Rural Development					
2.3.1	Administrative Support	267	-	267	268	(1)
2.3.2	4-H	1,169	-	1,169	1,267	(98)
2.3.3	Agriculture Business Management	1,238	-	1,238	1,236	2
2.3.4	Educational and Community Services	2,648	-	2,648	1,924	724
2.3.5	Agricultural Service Boards	5,000	-	5,000	5,000	-
2.3.6	Agriculture Initiatives					
	- Operating expense funded by Lotteries	11,620	-	11,620	11,565	55
	Total Sub-program	21,942	-	21,942	21,260	682

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2001

Schedule 5 continued

		2000-2001 Estimates	Authorized Supplementary (a)	2000-2001 Authorized Budget	2000-2001 Actual Expenses (b)	Unexpended (Over Expended)
2.4	Farm Income Support					
2.4.1	Management and Operations	3,079	161	3,240	2,577	663
2.4.2	Farm Fuel Distribution Allowance	33,500	-	33,500	32,401	1,099
2.4.3	Development Funding	-	-	-	4,000	(4,000)
2.4.6	Farm Income Assistance Program 2000	-	98,000	98,000	239,499	(141,499)
	Total Sub-program	36,579	98,161	134,740	278,477	(143,737)
	Total Program	67,123	98,161	165,284	308,347	(143,063)
3.0	Industry Development					
3.1	Program Support					
3.1.1	Assistant Deputy Minister	297	-	297	252	45
3.1.2	Marketing Council	543	-	543	473	70
3.1.3	Dairy Control Board	181	-	181	183	(2)
3.1.4	Amortization of Capital Assets	531	-	531	340	191
	Total Sub-program	1,552	-	1,552	1,248	304
3.2	Animal Industry					
3.2.1	Administrative Support	224	-	224	205	19
3.2.2	Beef, Cattle and Sheep	1,347	61	1,408	1,482	(74)
3.2.3	Pork, Poultry and Horse	1,649	-	1,649	1,825	(176)
3.2.4	Biometrics and Entomology	403	-	403	426	(23)
3.2.5	Diversified Livestock	1,790	-	1,790	1,762	28
3.2.6	Forage	915	-	915	1,106	(191)
	Total Sub-program	6,328	61	6,389	6,806	(417)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2001

Schedule 5 continued		2000-2001 Estimates	Authorized Supplementary (a)	2000-2001 Authorized Budget	2000-2001 Actual Expenses (b)	Unexpended (Over Expended)
3.3	Plant Industry					
3.3.1	Administrative Support					
	– Operating expense	529	–	529	585	(56)
	– Capital investment	350	–	350	360	(10)
3.3.2	Agronomy	2,876	576	3,452	3,488	(36)
3.3.3	Cereals and Oilseeds					
	– Operating expense	2,071	264	2,335	2,479	(144)
	– Capital investment	–	–	–	19	(19)
3.3.4	Crop Diversification Centre – North	1,760	127	1,887	1,975	(88)
3.3.5	Crop Diversification Centre – South	2,512	112	2,624	3,012	(388)
3.3.6	Pest Prevention	1,069	63	1,132	1,198	(66)
	Total Sub-program	11,167	1,142	12,309	13,116	(807)
3.4	Processing Industry					
3.4.1	Administrative Support	182	–	182	183	(1)
3.4.2	Agri-Food Development	1,100	–	1,100	1,319	(219)
3.4.3	Food Processing Development Centre					
	– Operating expense	2,644	–	2,644	2,934	(290)
	– Capital investment	266	–	266	2,883	(2,617)
3.4.4	Investment Development	1,016	–	1,016	971	45
3.4.5	Infrastructure Assistance Municipal Wastewater	11,500	–	11,500	2,058	9,442
3.4.6	Development Funding	–	–	–	3,000	(3,000)
	Total Sub-program	16,708	–	16,708	13,348	3,360

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2001

Schedule 5 continued		2000-2001 Estimates	Authorized Supplementary (a)	2000-2001 Authorized Budget	2000-2001 Actual Expenses (b)	Unexpended (Over Expended)
3.5	Regional Advisory Services					
3.5.1	Southern Region	3,512	–	3,512	3,677	(165)
3.5.2	Central Region	3,671	62	3,733	3,622	111
3.5.3	Northern Region	6,606	5	6,611	6,637	(26)
3.5.4	Peace Region	2,701	–	2,701	2,647	54
	Total Sub-program	16,490	67	16,557	16,583	(26)
	Total Program	52,245	1,270	53,515	51,101	2,414
4.0	Sustainable Agriculture					
4.1	Program Support					
4.1.1	Assistant Deputy Minister	206	–	206	223	(17)
4.1.2	Amortization of Capital Assets	1,508	–	1,508	1,791	(283)
	Total Sub-program	1,714	–	1,714	2,014	(300)
4.2	Public Lands					
4.2.1	Public Lands Management					
	– Operating expense	9,300	–	9,300	9,189	111
	– Capital investment	300	–	300	303	(3)
4.2.2	Grazing Reserves					
	– Operating expense	1,050	–	1,050	983	67
	– Capital investment	25	–	25	122	(97)
	Total Sub-program	10,675	–	10,675	10,597	78

Department - continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2001

Schedule 5 continued

		2000-2001 Estimates	Authorized Supplementary (a)	2000-2001 Authorized Budget	2000-2001 Actual Expenses (b)	Unexpended (Over Expended)
4.3	Resource Management and Irrigation					
4.3.1	Administrative Support	218	-	218	555	(337)
4.3.2	Environmentally Sustainable Agriculture	4,513	-	4,513	4,233	280
4.3.3	Conservation and Development	2,445	223	2,668	2,843	(175)
4.3.4	Irrigation					
	- Operating expense	4,223	26	4,249	4,429	(180)
	- Capital investment	200	-	200	75	125
4.3.5	Irrigation Secretariat	264	-	264	275	(11)
4.3.6	Infrastructure Assistance Irrigation	17,200	-	17,200	17,188	12
	Total Sub-program	29,063	249	29,312	29,598	(286)
4.4	Food Safety					
4.4.1	Administrative Support					
	- Operating expense	552	-	552	634	(82)
	- Capital investment	380	-	380	282	98
4.4.2	Agri-Food Surveillance					
	- Operating expense	1,691	-	1,691	3,839	(2,148)
	- Capital investment	-	-	-	51	(51)
4.4.3	Agri-Food Laboratories					
	- Operating expense	2,564	224	2,788	3,116	(328)
	- Capital investment	-	-	-	152	(152)
4.4.4	Regulatory Services	3,597	-	3,597	3,967	(370)
4.4.5	Safe Food Assurance	1,064	-	1,064	870	194
	Total Sub-program	9,848	224	10,072	12,911	(2,839)

Department – continued

Department of Agriculture, Food and Rural Development – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2001

Schedule 5 continued		2000-2001 Estimates	Authorized Supplementary (a)	2000-2001 Authorized Budget	2000-2001 Actual Expenses (b)	Unexpended (Over Expended)
4.5	Technical Services					
4.5.1	Administrative Support	173	–	173	208	(35)
4.5.2	Animal Welfare	1,067	–	1,067	1,126	(59)
4.5.3	Engineering Services					
	– Operating expense	2,051	220	2,271	3,630	(1,359)
	– Capital investment	–	–	–	1,113	(1,113)
4.5.4	Livestock Operations	1,304	–	1,304	1,656	(352)
4.5.5	Livestock Expansion and Development	430	–	430	385	45
	Total Sub-program	5,025	220	5,245	8,118	(2,873)
	Total Program	56,325	693	57,018	63,238	(6,220)
5.0	Financial Assistance to Alberta Opportunity Company					
5.0.1	Financial Assistance to Alberta Opportunity Company	5,524	–	5,524	5,524	–
	Total Program	5,524	-	5,524	5,524	–
6.0	Agriculture Financial Assistance					
6.0.1	Lending Assistance	25,774	–	25,774	13,985	11,789
6.0.2	Farm Income Disaster	163,612	–	163,612	6,446	157,166
6.0.3	Crop Insurance	58,967	–	58,967	52,043	6,924
6.0.4	Wildlife Damage	2,857	–	2,857	3,537	(680)
	Total Program	251,210	–	251,210	76,011	175,199
	Total Voted Expenses and Capital Investments	$449,553	$100,124	$549,677	$521,501	$28,176

Department - continued

Department of Agriculture, Food and Rural Development - Schedule of Comparison of Expenses - Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2001

Schedule 5 continued	2000-2001 Estimates	Authorized Supplementary (a)	2000-2001 Authorized Budget	2000-2001 Actual Expenses (b)	Unexpended (Over Expended)
Program Operating Expense	$436,342	$100,124	$536,466	$504,509	$31,957
Program Operating Expense funded by Lotteries	11,620	-	11,620	11,565	55
	447,962	100,124	548,086	516,074	32,012
Program Capital Investment	1,591	-	1,591	5,427	(3,836)
	$449,553	$100,124	$549,677	$521,501	$28,176
Statutory Expenses -					
Valuation Adjustments	$ (10)	$ -	$ (10)	$ 3,430	$(3,440)

(a) Supplementary Estimates were approved on December 4, 2000. Treasury Board approval is pursuant to Section 29 (1.1) of the Financial Administration Act.

(b) Includes achievement bonus of $1,426

Department - continued

Department of Agriculture, Food and Rural Development - Schedule of Salary and Benefits for the Year Ended March 31, 2001

Schedule 6

	2001			2000
	Salary [1]	Benefits & Allowances [2] [4]	Total	Total
Department				
Senior official				
Deputy Minister[3]	$164,843	$41,264	$203,107	$192,910
Executives - Assistant Deputy Ministers				
Planning and Competitiveness	123,568	40,962	164,530	148,107
Industry Development	111,876	27,086	138,962	32,346
Sustainable Agriculture	123,568	33,272	156,840	139,486
Executives - other				
Exec. Director, Administration	108,371	22,869	131,240	115,949
Exec. Director, Information Division	75,909	16,628	92,537	-
Boards and Agencies				
Senior Officials				
Chairman, Surface Rights and Land Compensation Board	108,381	3,291	111,672	115,313
Farmer's Advocate	85,033	6,472	91,505	79,249
General Manager, Agricultural Products Marketing Council	72,801	14,400	87,201	91,429

Prepared in accordance with Treasury Board Directive 12/98. The presentation format has changed with prospective application from April 1, 2000. Under this format, the total salary and benefits relating to a position are disclosed. Comparatives have not been restated and show the salary and benefits of the last incumbent at March 31, 2000.

(1) Salary includes regular base pay, bonuses, overtime and lump sum payments

(2) Benefits and allowances include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long-term disability plans, WCB premiums, professional memberships and tuition fees.

(3) Automobile provided, no dollar amount included in benefits and allowances figures.

(4) Benefits and allowances include vacation payments to the Deputy Minister $2,590 (2000 $7,816), Assistant Deputy Minister - Planning and Competitiveness $10,008 (2000 $10,259), Assistant Deputy Minister - Industry Development $2,079 (2000 $0), Assistant Deputy Minister - Sustainable Agriculture $2,176 (2000 $2,052), Executive Director, Information Division $3,401(2000 $1,757), Farmer's Advocate $1,477 (2000 $0), General Manager, Agricultural Products $1,419 (2000 $0).

Department - continued

Department of Agriculture, Food and Rural Development - Schedule of Related Party Transactions for the Year Ended March 31, 2001

Schedule 7

(In thousands)

Related parties are those entities consolidated in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		**Other Entities**	
	2001	**2000 (Restated)**	**2001**	**2000 (Restated)**
Revenues -				
Grants	$ -	$ -	$11,620	$42,820
Fees and charges	-	-	1	1
Other	136	-	-	28
	$ 136	$ -	$11,621	$42,849
Expenses Directly Incurred -				
Grants	$81,716	$213,726	$ 232	$ 624
Other services	42	-	1,807	1,928
	$81,758	$213,726	$ 2,039	$ 2,552
Capital assets transferred	$ -	$ -	$ -	$ 7
Payable to -				
Agriculture Financial Services Corporation	$12,860	$ 72,108	$ -	$ -
Alberta Dairy Control Board	-	17	-	-
Alberta Opportunity Company	-	128	-	-
	$12,860	$ 72,253	$ -	$ -

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements.

	Entities in the Ministry		**Other Entities**	
	2001	**2000**	**2001**	**2000**
Expense - incurred by others:				
Accommodation	$ -	$ -	$10,653	$8,624
Legal	-	-	235	231
	$ -	$ -	$10,888	$8,855

Department – continued
Department of Agriculture, Food and Rural Development – Schedule of Allocated Costs for the Year Ended March 31, 2001

Schedule 8
(In thousands)

	2001							2000
		Expenses – Incurred by Others		Valuation Adjustments [4]				
	Expenses [1]	Accommodation Costs [2]	Legal Services [3]	Vacation Pay	Doubtful Accounts	Write Down – Capital Assets	Total Expenses	Total Expenses
Program								
Agriculture assistance								
Farm income assistance program	$239,499	$ –	$ –	$ 11	$ –	$ –	$239,510	$131,400
Crop insurance	52,043	–	–	–	–	–	52,043	55,275
Farm fuel distribution allowance	32,401	–	–	–	–	–	32,401	32,771
Lending assistance	13,985	–	–	–	–	–	13,985	18,441
Development funding	7,000	–	–	–	–	–	7,000	23,650
Farm income disaster program	6,446	–	–	–	–	–	6,446	132,858
Wildlife damage	3,537	–	–	–	–	–	3,537	1,396
Industry development	42,781	4,284	34	565	59	67	47,790	42,510
Sustainable agriculture	33,780	2,571	73	205	29	260	36,918	32,311
Planning and competitiveness	32,447	1,582	75	136	–	416	34,656	33,543
Infrastructure assistance	19,246	–	–	–	–	–	19,246	27,268
Ministry support services	17,213	1,230	50	175	1,345	4	20,017	19,893
Public land management	10,172	986	3	83	75	–	11,319	9,429
Financial assistance to Alberta Opportunity Company	5,524	–	–	–	–	–	5,524	5,575
	$516,074	$10,653	$235	$1,175	$1,508	$747	$530,392	$566,320

[1] Expenses - Directly incurred as per the Statement of Operations, excluding valuation adjustments.

[2] Costs shown for Accomodations on Schedule 7, allocated base on budgeted full time equivalent (FTE).

[3] Costs shown for Legal Services on Schedule 7, allocated by estimated costs incurred by each program.

[4] Valuation Adjustments as per Statement of Operations. Employee Benefits and Doubtful Accounts provision included in Valuation Adjustments were allocated as follows:

- Vacation Pay - allocated to the program by employee.
- Provision for losses includes provisions for doubtful accounts, write-offs and losses - estimated allocation to program.
- Write Down of Capital Assests - estimated allocation to program.

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Directors of the
Agriculture Financial Services Corporation

I have audited the balance sheet of the Agriculture Financial Services Corporation as at March 31, 2001 and the statements of revenue, expense and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Peter Valentine

Peter Valentine
FCA
Auditor General

Edmonton, Alberta
May 18, 2001

Agriculture Financial Services Corporation – Financial Statements 2000-2001

Balance Sheet as at March 31, 2001

(in thousands)

	2001	2000
Assets		
Cash *(Note 2(b))*	$ 43,464	$ 23,166
Accounts receivable *(Note 4)*	11,643	4,916
Due from Province of Alberta	14,004	71,174
Due from Government of Canada	80,857	147,712
Loans receivable *(Note 2(l), 5)*	807,236	710,202
Investments *(Note 6)*	411,802	439,093
Property held for sale *(Note 7)*	174	41
Capital assets *(Note 8)*	16,714	17,363
	$1,385,894	**$1,413,667**
Liabilities and Surplus		
Accounts payable and accrued liabilities	$ 40,623	$ 18,462
Estimated indemnities payable *(Note 2(l), 9)*	114,570	226,638
Due to Crop Reinsurance Fund of Alberta *(Note 10)*	53,518	53,528
Allowance for losses on loan guarantees *(Note 18)*	1,961	2,649
Debentures and notes payable *(Note 11)*	777,408	684,889
Deferred revenue *(Note 12)*	19,415	19,667
	1,007,495	1,005,833
Surplus *(Note 3(c))*	378,399	407,834
	$1,385,894	**$1,413,667**

The accompanying notes and schedules are part of these financial statements.

Agriculture Financial Services Corporation – Financial Statements 2000-2001

Statement of Revenue, Expense and Surplus for the Year Ended March 31, 2001

(in thousands)

	2001 Budget (Note 3(a))	2001 Actual (Schedule 1)	2000 Actual
Revenue			
Premiums from insured persons, net *(Notes 13, 14)*	$ 73,723	$ 52,287	$ 66,563
Interest *(Note 15)*	56,597	57,620	50,646
Contribution from Province of Alberta, net *(Note 14)*	247,463	75,542	202,416
Contribution from Government of Canada, net *(Note 14)*	49,732	61,433	153,569
Investment income	19,194	29,988	20,912
Fees and other income	4,692	2,924	4,464
Amortization of loan discounts	869	548	1,081
	452,270	**280,342**	499,651
Expense			
Indemnities *(Note 14)*	315,373	205,855	301,724
Interest	60,102	53,251	46,822
Administration, Schedule 2	43,216	43,588	39,387
Farm loan incentives	4,921	6,966	5,637
Selling commissions	2,013	1,877	1,611
Provision for doubtful accounts and for losses *(Note 17)*	4,020	(1,896)	6,394
	429,645	**309,641**	401,575
(Deficiency) excess of revenue over expenses before recoveries	22,625	(29,299)	98,076
Net recoveries, Schedule 1	–	(136)	51
(Deficit) surplus for the year	**$ 22,625**	**(29,435)**	98,127
Surplus at beginning of year		407,834	309,707
Surplus at end of year		**$378,399**	**$407,834**

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows for the Year Ended March 31, 2001

(in thousands)

	2001	2000
Operating Activities		
(Deficit) surplus for the year	$ (29,435)	$ 98,127
Changes not affecting cash	(964)	(2,137)
Changes in assets and liabilities relating to operations	22,892	(18,513)
Net cash (utilized) provided by operating activities (1)	**(7,507)**	77,477
Investing Activities		
Proceeds from repayments of loans receivable and sale of properties	88,893	88,392
Loan disbursements	(182,291)	(135,363)
Net change in investments	36,576	(79,965)
Purchase of capital assets	(2,092)	(6,701)
Proceeds on disposal of capital assets	42	19
Net cash utilized by investing activities	**(58,872)**	(133,618)
Financing Activities		
Borrowing from the Province of Alberta	2,200,668	861,758
Repayment of borrowing from the Province of Alberta	(2,115,956)	(826,303)
Government of Canada funding for capital assets	594	2,799
Province of Alberta funding for capital assets	1,371	3,648
Net cash provided by financing activities	**86,677**	41,902
Net increase (decrease) in cash from operating, investing and financing activities	**20,298**	(14,239)
Cash at beginning of year	23,166	37,405
Cash at end of year	**$ 43,464**	**$ 23,166**

(1) Net cash provided by operating activites includes $48,086,990 (2000 $47,892,712) of interest paid.

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements March 31, 2001

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the Agriculture Financial Services Act, Chapter A-12.5, 1993.

The Corporation provides lending and insurance services and compensation programs. Its core programs and services include loans to beginning farmers, commercial lending, crop insurance, hail insurance and farm income disaster payments. It also delivers other programs and services including loans to developing farmers, disaster loans, loan guarantees, and business planning/counseling. The Corporation acts as the Alberta agent for commercial lending for the federal Farm Credit Corporation.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Revenue Recognition

Interest revenue on loans receivable is recognized as earned unless the ultimate collectibility of the loan is in doubt. When a loan is classified as impaired, interest revenue is no longer recognized.

Premiums, including federal and provincial government contributions, are recognized as income when invoiced to producers.

Federal and provincial contributions for capital asset acquisitions are recorded as deferred revenue until that revenue is recognized on the same schedule as those capital assets are amortized.

Loan application fees are recognized when the applications are received and loan fees are recognized at the time of loan disbursement. Other fees are recorded when the Corporation completes the applicable service.

(b) Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (CCITF) of the Province of Alberta. The Fund is managed with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on the daily cash balance at the average rate of CCITF earnings, which varies depending on prevailing market interest rates.

(c) Fair Value of Financial Instruments

Because of the relatively short period to maturity, short-term financial instruments are valued at cost and adjusted for any applicable allowance for doubtful accounts. This is considered to be equivalent to fair value and applies to Cash, Accounts receivable, Due from Province of Alberta, Due from Government of Canada, Accounts payable and accrued liabilities, Estimated indemnities payable and Due to Crop Reinsurance Fund of Alberta. Allowance for losses on loan guarantees does not have fair value disclosed due to the difficulty in determining the amount. Fair values of Loans receivable, Investments, Debentures and notes payable are disclosed in their respective notes.

(d) Investments

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments, when the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the straight-line method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

(e) Capital Assets and Amortization

Capital assets are recorded at cost. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Building	25 years
Computer equipment	5 years
Software development costs	10 years
Equipment and furniture	10 years
Vehicles	5 years

Note 2 continued

(f) Property Held for Sale

Property held for sale is recorded at the lower of cost and estimated net realizable value. Cost is comprised of the balance of the loan at the date on which the Corporation obtains title to the property plus subsequent disbursements related to the property less any revenues or lease payments received.

(g) Provision for Losses on Loans and Guarantees

Provisions are established for specifically identified potential losses on loans and guarantees as well as for anticipated but not specifically identified losses. Since the amounts and timing of future cash flows cannot be estimated with reasonable reliability, specific provisions are established by discounting the estimated fair value of security. The provision for doubtful accounts is adjusted for the change in the present value of the security held.

An impaired loan is a loan in which there is risk of loss to the Corporation for full and timely collection of the debt. Impairment may be due to a security deficiency, inadequate cash flow, economic factors in a specific segment of the industry or a catastrophic event.

The majority of the Corporation's loan portfolio is with beginning and developing agricultural operations and hence, is subject to higher risk than portfolios of other lenders. The Corporation recognizes this by providing significant general allowances for doubtful accounts. In establishing the general component of the allowance, management estimates loss percentages and applies them to loans receivable balances categorized into risk pools. Risk pools are established based on land value trends, the impact of federal and provincial government programs, international trade criteria, future commodity price trends, climatic conditions and the financial stability of the borrower.

(h) Loan Discounting

Loans made under the Alberta Farm Income Disaster program, Canada-Alberta Partnership on Agri-food program, and amounts previously deferred under the Indexed Deferral Plan have been discounted because they involve significant concessionary elements. The amounts discounted are being amortized to revenue over the lives of the concessionary terms.

(i) Pensions

The Corporation participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year.

(j) Reinsurance Ceded

Premiums, Contributions from the Province of Alberta, Contributions from the Government of Canada and Indemnities are recorded net of amounts ceded to or recoverable from reinsurers.

(k) Transactions with Related Parties

All related party transactions have been recorded at the amount of consideration paid or received as agreed to by the related party, except for donated services.

(l) Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount.

Estimated indemnities payable, recorded as $114,569,649 in these financial statements, is subject to measurement uncertainty.

Estimated indemnities payable consist of known liabilities payable at the year end and estimated additional liabilities for indemnities based on historical information about the relationships between the number of claim applications received and the average amount of each application.

The Corporation implemented the Farm Income Disaster Program for the 1995 claim year. The Program may pay a farm business when it experiences a disastrous drop in margins on farm operations. If the program margin for the farming business falls below 70% of the average margin for the best three of the previous five years, an indemnity may be payable. Applications can be submitted for the 2000 tax year until July 31, 2001 and indemnities are paid after applications are received and approved.

Note 2 continued

The Corporation has recorded a liability to provide for estimated indemnities payable under the Farm Income Disaster Program (Note 9). Indemnities to be paid may be more or less than the amount recorded because the estimate is made before the majority of the 2000 tax year applications are received. It is also difficult to predict the estimated indemnities payable because of the wide variation in the impact disasters have on individual farm gross margins. The estimated indemnities payable may be as low as $81,000,000 or as high as $121,000,000. Indemnities payable under the Program are limited to a maximum of $200,000,000 for claims from producers who have year ends in any fiscal year.

Loans receivable, recorded as $807,236,469 in these financial statements, is subject to measurement uncertainty. Loans receivable have been reduced by a provision of $24,452,519 for losses on loans. The provision estimated by management (see Note 2 (g)) could change significantly in the future, leading to a material change in provisions for losses.

Note 3 Financial Structure

(a)

The budget reflects contributions from the Province of Alberta of $251,210,051 which was authorized through the Legislative Assembly. That budget was approved by the Board of Directors on January 27, 2000 and the detailed administration cost budget was approved by the Board of Directors on June 22, 2000.

The contribution from the Province of Alberta was adjusted by $3,746,524 for ceded reinsurance and deferred revenue.

(b) Insurance, Safety Net and Compensation Programs

Programs administered by the Corporation are funded as follows:

	Premiums	**Indemnities**	**Administration Costs**
Crop Insurance Coverage up to 50%[1] of risk	20% Producers 40% Alberta 40% Canada	Premiums, Crop Insurance Fund, Private Sector Reinsurance and Government Reinsurance Funds	50% Alberta 50% Canada
Coverage greater than 50% and Hail Endorsement	50% Producers 29% Alberta 21% Canada		
Farm Income Disaster	N/A	52% Alberta[2] 48% Canada[2]	45% Alberta 55% Canada
Hail Insurance	100% Producers	Premiums, Private Sector Reinsurance and Hail Insurance Fund	100% Producers
Wildlife Compensation	N/A	60% Alberta 40% Canada	50% Alberta 50% Canada

(1) Coverage does not include hail endorsement.

(2) Based on the Federal-Provincial Agreement establishing the Canadian Farm Income Program, the Government of Canada and the provincial governments have agreed to fund an agricultural disaster program called the Canadian Farm Income Program (CFIP). It has been further agreed that Alberta's Farm Income Disaster Program (FIDP) will be used to deliver the majority of this assistance in Alberta. The Government of Canada funding will be subject to an appropriation of funding by Parliament for each of 2000, 2001 and 2002 claim years covered by the Agreement. An appropriation in the amount of $435,000,000 for all province's was authorized for this fiscal year. The approved appropriation will be reduced by the costs of the Spring Cash Advance Program.

Note 3 continued

The Crop Insurance program is administered in accordance with an agreement between the Province of Alberta and the Government of Canada. The agreement determines what adequate balances are for the crop insurance and reinsurance funds, the percentage of premiums to be transferred to these funds if required and how indemnities are paid from each of these funds. During the years ended March 31, 2000 and March 31, 2001, no premium transfers were required by the agreement because fund balances were deemed adequate to meet indemnity payments.

(c)
In accordance with an agreement between the Province of Alberta and the Government of Canada, the crop insurance fund, which is the major portion of the surplus, is restricted to being used for crop insurance purposes.

(d) Lending Programs
The Corporation's loans are funded by short and long term borrowing from the Province of Alberta. An agreement with the Province provides for the Corporation to obtain financing from the Province on the same terms at which the Province borrows that money. The Corporation has a maximum line of credit of $900,000,000. Prior to April 1, 1995, loans were funded through debentures issued to the Alberta Heritage Savings Trust Fund. The Corporation's lending operations are funded by customers and by contributions from the Province of Alberta.

Note 4 Accounts Receivable

	2001	2000
	(in thousands)	
Premiums from insured persons:		
Crop insurance program	$ 3,117	$2,775
Hail insurance program	106	255
Farm Income Disaster Program Fees	1	750
Other	8,552	1,330
	11,776	5,110
Less allowances for doubtful accounts (Note 17)	(133)	(194)
	$11,643	$4,916

Note 5 Loans Receivable

Assuming that options to renew will be exercised, loans are repayable in installments due as follows:

	2001	2000
	(in thousands)	
Arrears of principal and interest	$ 9,527	$ 12,611
Principal due in :		
Year(s) 1	56,323	50,676
2	59,854	53,495
3	60,295	53,421
4	59,788	53,453
5	58,858	52,696
6-10	261,594	232,033
over 10	241,619	204,521
Amounts deferred under the Indexed Deferral Plan	5,314	5,999
	813,172	718,905
Accrued interest	25,903	23,010
	839,075	741,915
Allowance for doubtful accounts (Note 17)	(24,453)	(26,084)
Accrued incentives	(2,630)	(2,335)
Loan discounts	(4,756)	(3,294)
	$807,236	$710,202

Included in the above are loans with concessionary terms which, before discounting, have principal amounts outstanding of:

	2001	2000
	(in thousands)	
Alberta Farm Income Disaster loans	$44,560	$15,883
Indexed Deferral Plan	5,314	5,999
Canada-Alberta Partnership on Agri-food	454	2,001
	$50,328	$23,883

The allowance for doubtful accounts of $24,452,519 (2000 $26,084,000) includes a specific allowance for $2,825,092 (2000 $2,538,000) on impaired loans outstanding of $11,216,822 (2000 $14,856,000), excluding unamortized loan discount.

The approximate fair value of loans receivable at March 31, 2001 is $733,850,116 (2000 $642,451,000). Fair value is based on future cash flows discounted by rates equivalent to the market rates on loans with similar terms and credit risk.

Note 6 Investments

	2001	2000
	(in thousands)	
Bonds and debentures -		
Government of Canada, direct and guaranteed	$214,904	$281,430
Other provincial direct and guaranteed	124,689	92,561
	339,593	373,991
Fair value	350,957	378,538
Securities -		
Corporate	66,212	57,097
Fair value	69,735	58,005
	405,805	431,088
Accrued Interest	5,997	8,005
	$411,802	$439,093
Fair value	$420,692	$436,543

Fair value is based on quoted market prices including accrued interest.

Note 7 Property Held for Sale

Property held for sale has been acquired as a result of foreclosures, quit claims and other actions.

	2001	2000
	(in thousands)	
Cost of property	$1,027	$ 879
Less allowance for losses on realization (Note 17)	(853)	(838)
Estimated net realizable value	$ 174	$ 41

Note 8 Capital Assets

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
		(in thousands)		
Land	$ 115	$ -	$ 115	$ 115
Building	2,919	938	1,981	2,098
Computer equipment	5,291	3,807	1,484	1,345
Software development costs	14,566	2,831	11,735	12,371
Equipment and furniture	2,280	1,304	976	979
Vehicles	1,166	743	423	455
	$26,337	$9,623	$16,714	$17,363

Note 9 Estimated Indemnities Payable

	2001	2000
	(in thousands)	
Farm Income Disaster Program	$110,429	$226,350
Crop insurance	2,929	268
Hail insurance	187	–
Wildlife compensation	1,025	20
	$114,570	$226,638

Note 10 Crop Reinsurance Funds

The provincial fund, called the Crop Reinsurance Fund of Alberta, is invested by the Corporation on behalf of the Province of Alberta and, accordingly, is shown as a liability of the Corporation to the Province. This liability of $53,518,000 (2000 $53,528,000) is equal to the closing surplus in the fund. The federal fund, called the Crop Reinsurance Fund of Canada for Alberta, is held by Canada.

	Crop Reinsurance Fund of Alberta		Crop Reinsurance Fund of Canada for Alberta	
	2001	2000	2001	2000
	(in thousands)		*(in thousands)*	
Opening surplus	$53,528	$53,564	$77,235	$77,306
Current year contributions	(10)	(36)	(10)	(71)
Closing surplus	$53,518	$53,528	$77,225	$77,235

Note 11 Debentures and Notes Payable

Debentures payable and notes payable to the Province of Alberta are comprised of the following:

	Calendar Year of Maturity	Weighted Average Interest Rate	Principal Outstanding	
			2001	2000
			(in thousands)	
Debenture A	2004	9.95%	30,120	39,720
Debenture C	2005	–	–	28,000
Debenture D	2006	8.25%	21,000	48,500
Debenture E	2006 - 2007	7.41%	46,200	52,800
Debenture H	2010 - 2011	–	–	64,310
Debenture K	2011	–	–	30,135
Debenture L	2001 - 2002	7.37%	7,476	21,237
Total due to Alberta Heritage Savings and Trust Fund			104,796	284,702
Short term notes	2000 - 2001	4.71%	28,716	148,218
Note payable 01	2011	7.56%	20,066	21,279
Note payable 02	2010	5.58%	43,748	46,973
Note payable 03	2013	5.39%	42,845	45,192
Note payable 04	2013	5.39%	30,512	32,164
Note payable 05	2016	6.52%	95,351	98,923
Note payable 06	2010	5.90%	97,798	–
Note payable 07	2016	5.94%	24,500	–
Note payable 08	2016	5.86%	49,287	–
Note payable 09	2011	5.57%	149,576	–
Note payable 10	2005	5.23%	25,000	–
Note payable 11	2003	4.81%	26,453	–
Note payable 12	2004	5.05%	25,963	–
Total due to Department of Finance			659,815	392,749
			764,611	677,451
Accrued interest			12,797	7,438
			$777,408	$684,889

Notes Payable include net unamortized discounts of $3,125,778 (2000 $5,573,228).

Note 11 continued

Principal repayments due in each of the next five years are as follows:

	(in thousands)
Year ending March 31, 2002	$157,713
2003	$ 36,184
2004	$ 79,032
2005	$ 74,462
2006	$ 62,257

The approximate fair value at March 31, 2001 is $779,103,000 (2000 $685,005,000). Fair values for debentures and notes are based on the net present value of future cash flows. Each individual cash flow payment is discounted at a rate which matches the term of the cash flow payment and is adjusted for a yield premium to reflect several factors. They include the following:

(a) a liquidity premium to reflect that there is a limited pool of these securities for trading in the market, they would be new to the market and are not direct issues of the Province,

(b) a premium for periodic interest reset features,

(c) a factor to reflect the blended payment structure of the debentures and notes.

Note 12 Deferred Revenue

	2001	2000
	(in thousands)	
Province of Alberta capital asset grants	$ 8,415	$ 8,637
Government of Canada capital asset grants	5,732	6,057
Deferred Canada Alberta Partnership on Agri-food (CAPA) contributions	3,379	3,382
Premiums from insured persons	1,889	1,591
	$19,415	$19,667

Note 13 Premiums

Because the balances in the crop insurance and reinsurance funds are deemed adequate to cover potential losses, investment income earned on the Crop Insurance Fund and the Crop Reinsurance Fund of Alberta were used to provide a 30% reduction in producers' premiums for the 2000 crop year which amounted to $16,455,664. The reduction will be repeated for the 2001 crop year.

Note 14 Reinsurance

In addition to the protection provided by the crop insurance and crop reinsurance funds and the hail insurance fund, the Corporation has obtained reinsurance from non-government sources. For Crop Insurance, reinsurance was obtained covering 100% of losses between 115% and 180% of gross premiums with a maximum dollar limit of $117,000,000.

The Corporation has also obtained reinsurance for above average crop loss adjusting expenses.

For Hail Insurance, a layer of reinsurance was obtained which covers 97.5% of losses between 125% and 150% of gross premiums paid by insured persons with a dollar limit of $6,337,500.

The Contribution from Province of Alberta and Contribution from Government of Canada on the Statement of Revenue, Expense and Surplus include contributions for administration expenses as well as premiums. The figures shown on the Statement of Revenue, Expense and Surplus are net of the following amounts relating to reinsurance ceded to other reinsurers. The Corporation realized a rebate of $7,298,017 from reinsurance premiums due to favourable experience during the past three years. This rebate was offset against amounts ceded, thus significantly reducing the ceded amount.

Note 14 continued

	2001					2000
	Government Contributions	**Ceded to Reinsurers**	**Net Contributions Retained by Corporation**	**Contribution for Administration Expenses**	**Net Premium Contributions**	**Net Premium Contributions**
				(in thousands)		
Alberta	$ 52,356	$ (690)	$ 51,666	$(9,786)	$ 41,880	$ 41,034
Canada	45,354	(412)	44,942	(9,786)	35,156	41,034

	Gross Premiums	**Rebates**	**Net**	**Ceded to Reinsurers**	**Net Retained by Corporation**	**Net Retained by Corporation**
Crop Insurance						
From Insureds	$ 53,696	$(16,456)	$ 37,240	$(890)	$ 36,350	$ 52,924
From Alberta	42,570	–	42,570	(690)	41,880	41,034
From Canada	35,568	–	35,568	(412)	35,156	41,034
Total	$131,834	$(16,456)	$115,378	$(1,992)	$113,386	$134,992
Indemnities	–	–	155,497	–	155,497	57,221
Hail Insurance						
Premiums from Insureds	$ 17,618	$ (1,526)	$ 16,092	$ (155)	$ 15,937	$ 13,639
Indemnities	–	–	32,308	(4,433)	27,875	10,888

Note 15 Interest Revenue

The Corporation does not recognize interest revenue on loans receivable where collection of the interest is in doubt (Note 2a). In 2001, certain loans which had been considered as impaired in previous years were no longer considered impaired. Therefore, unrecognized interest from previous years on these loans was recognized in 2001. These recoveries of interest in 2001 exceeded unrecognized revenue for the year by $930,834. In 2000, unrecognized revenue exceeded recoveries for the year by $443,000.

Note 16 Pensions

The Corporation participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $973,750 for the year ending March 31, 2001 (2000 $854,000).

At December 31, 2000, the Management Employees Pension Plan reported a surplus of $104,658,000 (1999 $46,019,000) and the Public Service Pension Plan reported a surplus of $635,084,000 (1999 $517,020,000). At December 31, 2000, the Supplementary Retirement Plan for Public Service Managers had a surplus of $180,000.

Agriculture Financial Services Corporation – Financial Statements 2000-2001

Note 17 Allowances for Doubtful Accounts and for Losses

	Accounts Receivable (Note 4)	Loans Receivable (Note 5)	Property Held for Sale (Note 7) *(in thousands)*	Loan Guarantees (Note 18)	Total
Allowances at March 31, 1999	$ 353	$23,420	$ 587	$3,140	$27,500
Transfers to property for sale in 1999-00	–	(232)	232	–	–
Provision for 1999-00	32	6,463	390	(491)	6,394
Write-offs in 1999-00, net of recoveries	(191)	(3,567)	(371)	–	(4,129)
Allowances at March 31, 2000	194	26,084	838	2,649	29,765
Transfer to property for sale in 2000-01	–	(533)	533	–	–
Provision for 2000-01	(79)	(707)	(422)	(688)	(1,896)
Write-offs in 2000-01, net of recoveries	18	(391)	(96)	–	(469)
Allowances at March 31, 2001	$ 133	$24,453	$ 853	$1,961	$27,400

Note 18 Contingencies and Commitments

	2001	2000
	(in thousands)	
Loan guarantees	$56,953	$58,560
Less allowance for losses (Note 17)	(1,961)	(2,649)
Total contingencies	$54,992	$55,911
Estimated farm loan incentives	$18,639	$15,459
Approved, undisbursed loans	38,907	35,411
Reinsurance	37,525	10,270
Total commitments	$95,071	$61,140

Contingencies under the Alberta Farm Development Loans program comprise $49,718,950 of the loan guarantees. Loans made by other financial institutions outstanding under this program at March 31, 2001 were $126,186,318 (2000 $149,264,000).

There are legal actions outstanding against the Corporation but it is expected that these actions will not result in significant costs to the Corporation.

Note 19 Credit Risk and Interest Risk

(a) Credit Risk

Credit risk is the risk that a debtor may not pay amounts owing thus resulting in a loss. To mitigate this risk, the Corporation has developed the following policies.

Lending staff manage the Corporation's significant credit risk exposure in the beginning and developing agricultural business loans by monitoring accounts very closely. This enables the Corporation to counsel owners of businesses to take quick action if problems start to occur and enables the Corporation to take prompt action to realize on its security. Security requirements for individual loans reflect the degree of risk in each particular operation. Businesses needing specialized and customized equipment, or those involved with new and emerging segments of agriculture, are required to have significantly higher security margins than enterprises in more traditional parts of agriculture. Although these measures do not eliminate the risk, they do reduce the risk of significant losses if there is a province-wide economic downturn in the agri-industry.

The Corporation, through its reinsurance broker, monitors the concentration of credit risk for the insurance contract it holds with each reinsurer (see Note 14) and evaluates the financial condition of each reinsurer. There is no significant reliance on any one reinsurer.

For insurance premiums receivable, a discount is provided for early payment of premiums. Payment arrangements are set for all customers not taking advantage of the offered discount. Outstanding premiums are closely monitored by insurance staff and collection action is taken promptly when required. Insurance contracts cannot be renewed if premiums for the prior year are outstanding at the renewal date.

(b) Interest Risk

Interest rate risk is the impact future changes of interest rates has on cash flows and fair value of assets and liabilities. To mitigate this risk, the Corporation matches the repayment timing of amounts borrowed with the repayment timing of loans made as closely as practical. Longer term repayments are partially financed by funding other than debt.

Interest rates are fixed for the life of Beginning Farmer loans, the major portion of the Corporation's loan portfolio. The Corporation does not set these rates to reflect the cost of money in the market. To maintain the current interest rate for future Beginning Farmer loans if there are significant increases in market interest rates, increases in the contribution from the Province will be required.

The following provides a breakdown of the gaps between the debentures and notes payable and the loan portfolio. The gap analysis includes an adjustment for expected repayments based on historical patterns.

		Term to Maturity [1]				2001	2000
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years	Not [2] Interest Rate Sensitive	Total	Total (Restated)
				(in thousands)			
Direct farm loans	$ 51,230	$222,837	$250,902	$238,220	$11,654	$774,843	$679,441
Yield [3]	7.45%	7.40%	7.34%	7.43%	–	7.39%	7.49%
Commercial loans	$ 4,425	$ 14,786	$ 9,032	$ 2,595	$ 1,555	$ 32,393	$ 30,761
Yield [3]	8.40%	8.58%	8.52%	8.35%	–	8.52%	7.78%
Total	$ 55,655	$237,623	$259,934	$240,815	$13,209	$807,236	$710,202
Yield [3]	7.53%	7.47%	7.38%	7.44%	–	7.44%	7.51%
Debentures & notes payable Province of Alberta	$ 157,713	$251,936	$244,877	$113,496	$ 9,386	$777,408	$684,889
Yield [3]	7.04%	5.60%	5.81%	5.98%	–	5.85%	6.33%
Net gap before prepayment adjustment	$(102,058)	$(14,313)	$ 15,057	$127,319	$ 3,823	$ 29,828	$ 25,313
Estimated prepayment	32,687	60,703	(13,777)	(79,613)	–	–	–
Net gap	$ (69,371)	$ 46,390	$ 1,280	$ 47,706	$ 3,823	$ 29,828	$ 25,313

Note 19 continued

The gap positions represent the mismatching of the financing with the loan portfolio at March 31, 2001. The gaps provide an indication of the potential risks to the Corporation if interest rates change. At March 31, 2001 an immediate and sustained increase in interest rates of 1% would increase net interest paid by $207,369 and would decrease the net fair market value of loans and financing for the next fiscal year by $28,120,596 based on the net gap before prepayment adjustment. A corresponding decrease in interest rates would decrease the net interest paid and would increase the net fair market value of loans and financing by a similar amount over the same period.

This gap analysis does not include the investment portfolio, which is disclosed separately below. Investments are not included because investments relate to insurance program cash flows which are managed separately from lending program cash flows.

The Corporation's Investment Policy is set with terms that attempt to anticipate the expected future cash flows of the Crop Insurance and Hail Insurance funds. The expected future cash flows are based on historical information modified for current factors that may impact historical results.

The following provides a breakdown of the investment portfolio by term to maturity.

	Term to Maturity [1]				2001	2000
	Within 1 Year	**1 to 5 Years**	**6 to 10 Years**	**Over 10 Years**	**Total**	**Total**
			(in thousands)			
Bonds and debentures –	$23,586	$293,970	$15,030	$7,007	$339,593	$373,991
Yield [3]	4.85%	5.84%	6.27%	5.88%	5.79%	5.74%
Securities –						
Corporate	–	66,212	–	–	66,212	57,097
Yield [3]	–	6.55%	–	–	6.55%	6.55%
	23,586	360,182	15,030	7,007	405,805	431,088
Accrued interest	331	5,255	284	127	5,997	8,005
	$23,917	$365,437	$15,314	$7,134	$411,802	$439,093

[1] For loans, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the loan. For debentures and notes payable, term to maturity reflects the period of time until an interest rate renegotiation date or the maturity date of the long-term debt. The interest rates are fixed for either a five year period or until maturity. Repayment is either by semi-annual or annual installments of principal. The Provincial Treasurer may permit all or part of debentures to be redeemed by the issuer prior to maturity without penalty and the Corporation will redeem debentures when cash flow is adequate and the Provincial Treasurer authorizes redemption. For investments, term to maturity classifications are based on contractual maturity of the security.

[2] Includes indexed deferral loans, net impaired loans, general provisions, accrued beginning farmer incentives, accrued interest and unamortized loan discount.

[3] For loans and investments, yield represents the rate which discounts future cash receipts to the carrying amount. For debentures and notes payable, yield represents the rate which discounts the stream of future payments from the reporting date to the next interest rate renegotiation date.

Note 20 Related Party Transactions

Sufficient information is provided throughout the statements to disclose significant related party transactions the Corporation entered into, except for the following:

	2001	2000
	(in thousands)	
Interest expense – Province of Alberta	$52,484	$46,822
Administration expense – Province of Alberta	2,425	1,390
Investment income – Province of Alberta	–	171

Note 21 Comparative Figures

The 2000 figures have been reclassified where necessary to conform to 2001 presentation.

Agriculture Financial Services Corporation – Schedule of Revenue, Expense and Surplus for the Year Ended March 31, 2001

Schedule 1
(in thousands)

	2001 Crop Insurance	2000 Crop Insurance	2001 Farm Income Disaster	2000 Farm Income Disaster	2001 Beginning Farmer Lending	2000 Beginning Farmer Lending	2001 Hail Insurance	2000 Hail Insurance
Revenue								
Premiums from insured persons, net (Notes 13, 14)	$ 36,350	$ 52,924	$ –	$ –	$ –	$ –	$ 15,937	$13,639
Interest (Note 15)	238	345	22	23	49,507	44,367	87	115
Contribution from Province of Alberta, net (Note 14)	51,666	50,121	6,332	132,062	8,009	10,758	–	–
Contribution from Government of Canada, net (Note 14)	44,942	50,121	14,021	102,569	–	–	–	–
Investment income	24,879	17,328	1,463	362	142	376	2,953	2,687
Fees and other income	138	307	626	1,302	1,005	1,487	406	410
Amortization of loan discounts	–	–	–	–	52	638	-	–
	158,213	171,146	22,464	236,318	58,715	$57,626	19,383	16,851
Expense								
Indemnities (Note 14)	155,497	57,221	16,609	231,413	–	–	27,875	10,888
Interest	–	–	–	–	46,469	41,015	–	–
Administration, Schedule 2	19,709	18,477	5,855	4,905	9,531	8,490	2,086	1,667
Farm loan incentives	–	–	–	–	4,956	4,319	–	–
Selling commissions	–	–	–	–	–	–	1,877	1,611
Provision for doubtful accounts and for losses (Note 17)	(43)	(20)	–	–	(2,241)	3,802	(8)	26
	175,163	75,678	22,464	236,318	58,715	57,626	31,830	14,192
(Deficiency) excess of revenue over expense before recoveries	(16,950)	95,468	–	–	–	–	(12,447)	2,659
Recoverable (by) from Government of Canada	–	–	–	–	–	–	–	–
Recoverable (by) from Province of Alberta	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
(Deficit) surplus for the year	(16,950)	95,468	–	–	–	–	(12,447)	2,659
Surplus at beginning of year	347,667	252,199	–	–	–	–	60,167	57,508
Surplus at end of year	$330,717	$347,667	$ –	$ –	$ –	$ –	$ 47,720	$60,167

Agencies/Funds - continued

Agriculture Financial Services Corporation - Schedule of Revenue, Expense and Surplus for the Year Ended March 31, 2001

Schedule 1 - continued
(in thousands)

	2001 Commercial Lending	2000 Commercial Lending	2001 Wildlife Compensation	2000 Wildlife Compensation	2001 Other	2000 Other	2001 Total	2000 Total
Revenue								
Premiums from insured persons, net (Notes 13, 14)	$ -	$ -	$ -	$ -	$ -	$ -	$ 52,287	$ 66,563
Interest (Note 15)	2,615	1,573	-	-	5,151	4,223	57,620	50,646
Contribution from Province of Alberta, net (Note 14)	1,950	4,137	3,543	1,378	4,042	3,960	75,542	202,416
Contribution from Government of Canada, net (Note 14)	3	43	2,456	818	11	18	61,433	153,569
Investment income	247	8	93	32	211	119	29,988	20,912
Fees and other income	302	465	31	24	416	469	2,924	4,464
Amortization of loan discounts	142	342	-	-	354	101	548	1,081
	5,259	6,568	6,123	2,252	10,185	8,890	280,342	499,651
Expense								
Indemnities (Note 14)	-	-	5,874	2,065	-	137	205,855	301,724
Interest	1,722	2,160	-	-	5,060	3,647	53,251	46,822
Administration, Schedule 2	2,955	3,018	249	187	3,203	2,643	43,588	39,387
Farm loan incentives	-	-	-	-	2,010	1,318	6,966	5,637
Selling commissions	-	-	-	-	-	-	1,877	1,611
Provision for doubtful accounts and for losses (Note 17)	582	1,390	-	-	(186)	1,196	(1,896)	6,394
	5,259	6,568	6,123	2,252	10,087	8,941	309,641	401,575
(Deficiency) excess of revenue over expense before recoveries	-	-	-	-	98	(51)	(29,299)	98,076
Recoverable (by) from Government of Canada	-	-	-	-	(57)	21	(57)	21
Recoverable (by) from Province of Alberta	-	-	-	-	(79)	30	(79)	30
	-	-	-	-	(136)	51	(136)	51
(Deficit) surplus for the year	-	-	-	-	(38)	-	(29,435)	98,127
Surplus at beginning of year	-	-	-	-	-	-	407,834	309,707
Surplus at end of year	$ -	$ -	$ -	$ -	$ (38)	$ -	$378,399	$407,834

Agriculture Financial Services Corporation – Schedule of Administration Expense for the Year Ended March 31, 2001

Schedule 2

(in thousands)

	2001 Budget (Note 3(a))	2001 Actual	2000 Actual
Salaries and benefits (Note 16)	$22,414	$22,264	$19,353
Contracted services	3,246	4,547	3,954
Adjusters' wages and benefits	3,646	3,784	3,412
Travel and automobile	2,563	2,845	2,473
Amortization of capital assets	2,635	2,718	2,536
Office accommodation costs	2,814	2,665	2,494
Stationery and supplies	928	1,017	1,027
Data processing	1,079	854	1,133
Telecommunications	1,060	626	692
Professional services	521	524	404
Equipment, rental and maintenance	557	366	433
Advertising	493	331	482
Postage and freight	211	307	226
Training, meetings, seminars, conferences	477	294	294
Directors' fees and expenses	302	272	292
Insurance	100	89	88
Grain grading	79	62	43
Collection commissions	65	15	39
Bank charges	26	8	12
	$43,216	$43,588	$39,387

Agencies/Funds - continued

Agriculture Financial Services Corporation – Schedule of Salaries and Benefits for the Year Ended March 31, 2001

Schedule 3

(in thousands)

	2001			2000
	Salary and Wages[1]	Benefits and Allowances[2]	Total	Total[3] (Restated)
Chair	$ 44	$ –	$ 44	$ 48
Board members	157	4	161	154
President and Managing Director	127	80	207	181
Vice President, Field Operations	116	47	163	144
Vice President, Finance and Administration	116	41	157	141
Vice President, Research, Information and Development	116	52	168	140
Vice President, Information Technology and Administrative Services	107	36	143	45[4]

(1) Salary and wages are fees for Chair and Board members and regular base pay for employees.

(2) Benefits and allowances include employer's share of all employee benefits, including health care, flexible health, dental and vision care allowance, group life insurance, pensions, employment insurance, accidental death/ dismemberment and long-term disability insurance, workers' compensation, professional memberships and vacation payouts. No amount is included in benefits and allowances for an automobile provided to the President and Managing Director. The benefits and allowances include achievement bonus for the fiscal year 2000/01.

(3) Salary and benefits total for 2000 has been restated to include an achievement bonus for the fiscal year 1999/00.

(4) Employment commenced on November 22, 1999. Salary and benefits are for the period November 22, 1999 to March 31, 2000.

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Board of Directors of
Alberta Opportunity Company

I have audited the balance sheet of Alberta Opportunity Company as at March 31, 2001 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Peter Valentine

Peter Valentine
FCA
Auditor General

Edmonton, Alberta
May 4, 2001

Alberta Opportunity Company - Financial Statements 2000-2001

Balance Sheet as at March 31, 2001

(in thousands)

	2001	2000
Assets		
Cash	$ 6,663	$ 1,246
Accounts receivable	13	147
Loans receivable *(Note 3)*	119,968	116,976
Property held for sale *(Note 5)*	680	245
Capital assets *(Note 6)*	1,159	1,113
	$128,483	**$119,727**

	2001	2000
Liabilities and Retained Earnings		
Accounts payable and accrued expenses	$ 2,087	$ 1,872
Notes payable *(Note 7)*	89,632	86,449
	91,719	88,321
Retained earnings	36,764	31,406
	$128,483	**$119,727**

The accompanying notes are an integral part of these financial statements.

Statement of Income and Retained Earnings for the Year Ended March 31, 2001

(in thousands)

	2001 Budget (Note 14)	2001 Actual	2000 Actual
Net Interest Income			
Interest income	$10,695	$12,856	$11,273
Interest expense	5,100	5,194	4,718
	5,595	**7,662**	6,555
Net Interest Income After Charge for Losses			
Charge for loan losses and losses on realization *(Notes 4 and 5)*	4,230	2,041	2,256
	1,365	**5,621**	4,299
Other Income			
Application and processing fees	500	549	583
Grant from the Province of Alberta for the assistance of small business	5,524	5,524	5,575
	6,024	**6,073**	6,158
Net interest and other income	**7,389**	**11,694**	10,457
Non-Interest Expense			
Operations *(Note 9)*	6,708	6,336	5,862
Net Income	**$ 681**	**$ 5,358**	**$ 4,595**
Retained earnings, beginning of year		31,406	26,811
Retained earnings, end of year		**$36,764**	**$31,406**

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows for the Year Ended March 31, 2001

(in thousands)

	2001	2000
Operating Activities		
Net income	$ 5,358	$ 4,595
Recoveries of loans written off	281	449
Interest paid on maturity of notes	(1,037)	(719)
Items not affecting cash -		
Charge for loan losses and losses on realization	2,041	2,256
Amortization of capital assets	219	239
Amortization of note discounts	1,309	975
Net change in other assets and other liabilities	302	(106)
Cash flows from operating activities	**8,473**	7,689
Investing Activities		
Loans disbursed	(35,254)	(38,969)
Proceeds from repayment of loans	29,636	26,434
Payment of called guarantees	(50)	(140)
Acquisition of property (net of sale proceeds)	(46)	(38)
Purchase of capital assets (net of sale proceeds)	(253)	(266)
Cash flows used in investing activities	**(5,967)**	(12,979)
Financing Activities		
Proceeds of notes	33,981	19,163
Repayment of notes	(31,070)	(18,705)
Cash flows from financing activities	**2,911**	458
Net increase (decrease) in cash	5,417	(4,832)
Cash, beginning of year	1,246	6,078
Cash, end of year	**$ 6,663**	**$ 1,246**
Supplementary cash flow information -		
Interest paid during the year	$ 4,777	$ 4,470

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements March 31, 2001

Note 1 Authority and Purpose

Alberta Opportunity Company (the "Company") operates under the authority of the Alberta Opportunity Fund Act, Chapter A-34, Revised Statutes of Alberta 1980, as amended.

The purpose of the Company is to provide financial assistance and guidance for the development of Alberta business. Priority is given to smaller businesses in rural communities which, although viable, are unable to obtain financing from conventional institutions. Priority is also given to Alberta-owned businesses which will create jobs, are introducing improvements in productivity or technology, or have export or tourism potential.

The Province of Alberta maintains the financial viability of the Company by granting money appropriated for this purpose.

Note 2 Significant Accounting Policies

These financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following paragraphs describe the significant accounting policies.

Cash

Cash is deposited in the Province of Alberta's Consolidated Cash Investment Trust Fund (CCITF) which is managed with the objective of providing a competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is comprised of high-quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Interest is earned on the daily cash balance at the average rate of CCITF earnings, which varies depending on the prevailing market interest rates.

Loans Receivable

Interest revenue is accrued on loans until such time as a loan is classified as impaired. Interest income is not recognized on impaired loans until such time as the charges for loan impairment have been reversed. Loan application and processing fees are included in income when charged.

A loan is classified as impaired when, in management's opinion, there has been a deterioration in credit quality to the extent that there is reasonable doubt as to the timely collection of some portion of principal and interest. A loan where payment of interest is contractually past due 60 days is classified as impaired unless there is no reasonable doubt as to the collectability of all interest and principal.

Loans receivable are stated net of an allowance for loan losses. The allowance for loan losses represents management's best estimate of probable losses on loans outstanding. The allowance has a specific and a general component. The specific allowance is established following a detailed review on a loan-by-loan basis wherein the discounted future cash flows and the fair value of the security underlying the loan are determined. The specific allowance reduces the carrying value of the impaired loans to their estimated realizable values. The general allowance recognizes that not all credit losses can be specifically identified on a loan-by-loan basis. The general allowance is determined by historical trends in loss experience and the current portfolio profile together with management's evaluation of other existing conditions at the balance sheet date. Changes in the allowance for loan losses are reflected in income.

Property Held for Sale

Property held for sale is valued at the lower of cost and estimated net realizable value. Operating costs less rental revenues are added to the cost of the properties. Changes in the allowance for losses on realization are reflected in income.

Capital Assets

Capital assets are carried at cost less accumulated amortization. Amortization is calculated using the straight-line basis over the estimated useful lives of the assets as follows:

Furniture and office equipment	15%
Computer equipment and software	20%
Leasehold improvements	term of each lease

Note 2 continued

Notes Payable
Notes payable are stated net of unamortized discounts and premiums which arise on the issue of the notes and are amortized on a straight-line basis over the term to maturity and included in interest expense.

Pensions
The Company participates in multiemployer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for service relating to prior years.

Operating Grant
The grant from the Province of Alberta is recorded as revenue in the year for which it is approved.

Note 3 Loans Receivable

	2001	2000
	(in thousands)	
Loans and accrued interest receivable	$117,561	$116,296
Impaired loans	14,156	11,857
	131,717	128,153
Less allowance for loan losses (Note 4)		
Specific allowance	5,283	4,200
General allowance	6,466	6,977
	11,749	11,177
	$119,968	$116,976

Security on loans receivable consists of general security agreements, land mortgages, debentures and guarantees. Loans generate a weighted average interest return of 9.5% (2000 9.1%).

Note 4 Allowance for Loan Losses

	2001	2000
	(in thousands)	
Allowance, beginning of year	$11,177	$ 9,752
Charge for loan losses	1,759	2,102
Write-offs	(1,468)	(1,126)
Recoveries of amounts previously written off	281	449
Allowance, end of year	$11,749	$11,177

Note 5 Property Held for Sale

	2001	2000
	(in thousands)	
Cost	$1,638	$948
Less allowance for losses on realization		
Allowance, beginning of year	703	549
Charge for losses on realization	282	154
Reversal on sale	(27)	-
Allowance, end of year	958	703
	$ 680	$245

Note 6 Capital Assets

		2001		2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
		(in thousands)		
Equipment and software	$2,406	$1,259	$1,147	$1,094
Leasehold improvements	153	141	12	19
	$2,559	$1,400	$1,159	$1,113

Equipment and software includes approximately $657,000 (2000 $477,000) in software at cost which is not being amortized due to being under development.

Note 7 Notes Payable

Notes are payable to the Province of Alberta. Interest on notes with maturities greater than one year is payable semi-annually. Notes payable includes approximately $859,000 (2000 $1,332,0000) in unamortized discounts and $1,276,000 (2000 $0) in unamortized premiums.

Maturity Date	Series	Interest Rate	2001	2000
			(in thousands)	
December 11, 2001	Note 024	5.68%	$13,282	$ -
March 27, 2002	Note 005	5.44%	13,198	13,145
September 30, 2002	Note 008	5.00%	12,167	12,119
March 31, 2003	Note 013	5.00%	14,137	14,106
December 1, 2003	Note 015	5.10%	9,928	9,901
March 30, 2004	Note 019	5.30%	5,995	5,993
December 1, 2004	Note 023	5.75%	5,924	-
December 1, 2005	Note 025	7.50%	15,001	-
April 12, 2000	Note 022	5.15%	-	1,597
December 14, 2000	Note 020	5.81%	-	9,227
February 15, 2001	Note 001	5.65%	-	3,881
March 26, 2001	Note 021	6.00%	-	8,498
March 29, 2001	Note 002	6.75%	-	7,982
			$89,632	$86,449

Scheduled principal repayments are as follows:

	(in thousands)
2002	$26,480
2003	26,304
2004	15,923
2005	5,924
2006	15,001
	$89,632

Note 8 Pensions

The Company participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Company also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $264,000 for the year ending March 31, 2001 (2000 $244,000).

At December 31, 2000, the Management Employees Pension Plan reported a surplus of $104,658,000 (1999 $46,019,000) and the Public Service Pension Plan reported a surplus of $635,084,000 (1999 $517,020,000). At December 31, 2000, the Supplementary Retirement Plan for Public Service Managers had a surplus of $180,000 (1999 $33,000).

Note 9 Operations

	2001 *(in thousands)*	2000
Salaries and benefits	$4,246	$3,828
Occupancy	492	471
Communications	464	559
Legal and other fees	335	257
Amortization of capital assets	219	239
Board of Directors fees	62	50
Other	518	458
	$6,336	$5,862

Note 10 Salary and Benefits Disclosure

		2001		2000
	Salary [a]	Benefits [b] *(in thousands)*	Total	Total
Chairman of the Board	$ 11	$ -	$ 11	$ 9
President and CEO[c]	144	30	174	162
Regional Vice President, North	116	26	142	124
Regional Vice President, South	107	25	132	109
Chief Financial Officer	101	25	126	112
Manager, Corporate Development	97	10	107	89

[a] Salary includes regular base pay, bonuses and Board fees.

[b] Employer's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, accidental disability and dismemberment insurance, short-term disability plan, professional memberships and vacation payouts.

Payments for vacation entitlements included as benefits were as follows:

	2001	2000
President and CEO	14	-
Regional Vice President, South	4	-
Chief Financial Officer	5	9
Manager, Corporate Development	5	-

[c] Automobile provided, no amount included for benefits.

Note 11 Financial Instruments

Fair Values

Estimated fair value approximates amounts at which financial instruments could be exchanged in an arm's length transaction between willing parties who are under no compulsion to act. Many of the Company's financial instruments lack an available trading market, so fair values are based on estimates using present value techniques which are significantly affected by assumptions concerning the timing of future cash flows and discount rates. These estimates are subjective in nature and involve uncertainties and matters of judgment and, therefore, the fair value amounts should not be interpreted as being necessarily realizable in an immediate settlement of the instruments.

The Company has determined the fair value of its financial instruments as follows:

(a) Cash, accounts receivable, accounts payable and accrued liabilities.

The carrying amount on the balance sheet approximates fair value because of the short-term nature of these instruments.

(b) Loans receivable.

The estimated fair value of loans is determined by discounting the expected future cash flows of these loans at current interest rates for developmental loans with similar terms and credit risks.

	2001		2000	
	Carrying Value	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
		(in thousands)		
Loans	$119,968	$127,184	$116,976	$113,624

(c) Notes payable.

The estimated fair value of the Company's debt instruments is determined by discounting the expected future cash flows of these instruments at current Province of Alberta AAA borrowing rates for notes with similar terms.

	2001		2000	
	Carrying Value	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
		(in thousands)		
Notes payable	$89,632	$90,186	$86,449	$84,842

Credit Risk Management

Credit risk arises from the potential for borrowers to default on their contractual loan obligations. Credit exposure on the Company's loan portfolio is managed through due diligence and account administration. To minimize the credit risk associated with the loans the Company requires security agreements and personal guarantees on all loans.

Interest Rate Risk Management

Interest rate risk refers to the potential impact of changes in interest rates on the Company's earnings when maturities of its financial liabilities are not matched with the maturities of its financial assets.

The Company manages interest rate risk by borrowing a mix of short-term and long-term debt through the Province of Alberta at fixed interest rates and terms designed to match the average terms of the Company's loan portfolio.

The table below summarizes amounts by maturity dates and weighted average effective interest rates. The net gap position represents the mismatch of financing and loan portfolio at March 31, 2001.

Note 11 continued

	Term to Maturity [a] Within 1 Year	1 to 5 Years	Non-Rate Sensitive [b]	2001 Total	2000 Total
			(in thousands)		
Carrying Value					
Cash	$ 6,663	$ –	$ –	$ 6,663	$ 1,246
Loans receivable	21,404	92,190	6,374	119,968	116,976
Notes payable	26,532	62,165	–	88,697	86,903
Net gap	$ 1,535	$30,025	$6,374	$ 37,934	$ 31,319
Effective Yield [c]					
Loans receivable	11.92%	10.87%	–	11.08%	9.72%
Notes payable	5.32%	6.16%	–	6.06%	5.33%

[a] Term to maturity reflects the period of time until a loan matures or where an interest rate is renegotiated. For notes payable, term to maturity reflects the period of time until the maturity date of the notes.

[b] Includes net impaired loans, expired loans, and general provisions.

[c] For loans receivable, yield represents the rate which discounts future cash receipts to the carrying amount. For notes payable, yield represents the rate which discounts the stream of future payments from the reporting date to the maturity date.

Note 12 Contingent Liabilities

Guarantees of Bank Loans

The Company is contingently liable as a guarantor of bank operating lines of credit as follows:

	2001	2000
	(in thousands)	
Guarantees	$4,290	$2,118
Export guarantees	1,295	1,360
	$5,585	$3,478

Legal Actions

There are claims against the Company totalling approximately $17,027,000. The Company considers that a valid defense exists in every instance and no material loss is anticipated.

In the event that the Company incurs a loss on the foregoing matters, the loss will be accounted for as a charge to income in the year that the loss is determined.

Note 13 Commitments

Unimplemented Authorizations

	2001	2000
	(in thousands)	
Loans	$7,780	$9,275
Guarantees	$ 375	$ 990
Export guarantees	345	345
	$ 720	$1,335

Note 13 continued

Operating Leases

The Company has obligations under vehicle leases and long-term, non-cancellable operating leases for premises. The leases for premises generally have five year terms, include five year renewal options, and provide for payment of operating expenses and real estate taxes in excess of the amounts established at the commencement of the leases. The future minimum lease payments and estimated related costs for each of the next five years are as follows:

	(in thousands)
2002	$ 555
2003	305
2004	178
2005	101
2006	61
	$1,200

Note 14 Budget

The 2001 budget was approved by management on January 27, 2000 and is presented for comparison with the 2001 actual figures.

Note 15 Comparative Figures

Certain 2000 figures have been reclassified where necessary to conform to 2001 presentation.

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

To the Members of the
Alberta Dairy Control Board

I have audited the statement of financial position of the Alberta Dairy Control Board as at March 31, 2001 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Peter Valentine

Peter Valentine
FCA
Auditor General

Edmonton, Alberta
May 23, 2001

Statement of Operations for the Year Ended March 31, 2000

	2001 Budget (Note 15)	2001 Actual	2000 Actual
Revenue			
Producer assessments	$ 556,407	$ 583,181	$ 559,068
Processor assessments	278,203	284,831	279,469
Government contribution to administration costs	181,000	181,000	180,950
Quota exchange receipts	–	–	51,368
Interest income	35,000	43,728	46,940
Trade initiative revenue	–	27,539	–
Milk coordination revenue	–	26,745	–
Other income	2,000	5,472	6,032
Restricted revenue *(Note 6)*			
Milk price equalization pool	53,000,000	65,779,428	56,298,695
Milk promotion assessment	5,300,000	5,334,056	5,700,800
Alberta Milk Producers membership assessment	660,000	854,154	767,046
Nutrition education assessment	362,000	359,605	384,324
	60,374,610	73,479,739	64,274,692

continued

continued

Statement of Operations for the Year Ended March 31, 2001

	2001 Budget (Note 15)	2001 Actual	2000 Actual
Expense			
Salaries and benefits *(Note 9)*	664,200	747,056	712,440
Data processing	30,000	137,884	60,095
Amortization of capital assets	63,000	130,942	43,339
Travel and conference fees	137,000	127,609	174,584
General office	70,975	67,296	71,223
Grants	30,000	30,870	30,670
Trade initiative expense	–	27,509	–
Milk coordination expense	–	26,161	–
Loss on disposal of fixed assets	–	7,142	–
Quota exchange payment	–	–	51,368
Restricted expenses *(Note 6)*			
Milk price equalization pool	53,000,000	65,779,428	56,298,695
Alberta Milk Producers – promotion	5,300,000	5,334,056	5,700,800
– membership	660,000	854,154	756,099
Dairy Nutrition Council of Alberta	362,000	359,605	395,271
	60,317,175	73,629,712	64,294,584
Excess/(deficiency) of revenue over expense for the year	**$ 57,435**	**$ (149,973)**	**$ (19,892)**

The accompanying notes and schedules are part of these financial statements.

Statement of Changes in Net Assets for the Year Ended March 31, 2001

	2001				2000
	Invested in Capital Assets	Restricted for Quota Exchange (Note 10)	Unrestricted	Total	Total
Balance at beginning of year	$275,850	$11,743	$714,578	$1,002,171	$1,022,063
Deficiency of revenue over expense for the year	–	–	(149,973)	(149,973)	(19,892)
Purchase of capital assets	167,512	–	(167,512)	–	–
Loss on disposal of capital assets	(7,142)	–	7,142	–	–
Amortization of capital assets	(130,942)	–	130,942	–	–
Balance at end of year	**$305,278**	**$11,743**	**$535,177**	**$852,198**	**$1,002,171**

The accompanying notes and schedules are part of these financial statements.

Alberta Dairy Control Board – Financial Statements 2000-2001

Statement of Financial Position as at March 31, 2001

	2001 Budget (Note 15)	2001 Actual	2000 Actual
Assets			
Current –			
Cash *(Note 3)*	$2,070,335	$4,514,073	$4,479,443
Due from processors, producers and others *(Note 4)*	2,894,585	1,559,094	2,075,579
Prepaid expenses	–	–	6,000
	4,964,920	**6,073,167**	6,561,022
Capital assets *(Note 5)*	227,850	305,278	275,850
	$5,192,770	**$6,378,445**	$6,836,872

	2001 Budget (Note 15)	2001 Actual	2000 Actual
Liabilities and Net Assets			
Current –			
Due to producers	$ 50,000	$ –	$ 17,150
Accounts payable	183,164	346,491	227,622
Deferred contributions *(Note 6)*	3,900,000	5,179,756	5,589,929
	4,133,164	**5,526,247**	5,834,701
Net assets	1,059,606	852,198	1,002,171
	$5,192,770	**$6,378,445**	$6,836,872

The accompanying notes and schedules are part of these financial statements.

Statement of Cash Flows for the Year Ended March 31, 2001

	2001 Budget (Note 15)	2001 Actual	2000 Actual
Operating Activities			
Excess/(deficiency) of revenue over expense for the year	$ 57,435	$ (149,973)	$ (19,892)
Add non-cash items –			
Amortization of capital assets	63,000	130,942	43,339
Loss on disposal of capital assets	–	7,142	–
	120,435	**(11,889)**	23,447
Net change in non-cash operating working capital items *(Note 12)*	(2,514,543)	214,031	353,882
Net cash (used)/provided by operating activities	**(2,394,108)**	**202,142**	377,329
Investing Activities –			
Purchase of capital assets	**(15,000)**	**(167,512)**	(253,164)
Net (decrease)/increase in cash	**(2,409,108)**	**34,630**	**124,165**
Cash at beginning of year	4,479,443	4,479,443	4,355,278
Cash at end of year	**$2,070,335**	**$4,514,073**	**$4,479,443**

The accompanying notes and schedules are part of these financial statements.

Notes to the Financial Statements March 31, 2001

Note 1 Authority and Purpose

The Alberta Dairy Control Board (the "Board") operates under the authority of the Dairy Board Act, Chapter D-1, Revised Statutes of Alberta 1980, as amended.

The Board was established to control and regulate the sale of milk in Alberta. Its responsibilities cover all three sectors of the dairy industry including fluid milk, industrial milk and cream.

Note 2 Significant Accounting Policies and Reporting Practices

(a) Capital Assets

Capital assets are recorded at cost less accumulated amortization.

They are amortized over the estimated useful lives of the assets on a declining balance basis at the following rates:

Software development	30%
Computer hardware and equipment	20-30%

(b) Pension

The Board participates in multi-employer pension plans with related government entities. Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year.

(c) Revenue Recognition

Funds collected in the operation of price equalization pools or under various agreements are restricted contributions subject to externally imposed stipulations that specify the purpose for which the funds are to be used. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred. Restricted contributions received for future expenses are deferred until that future period when they are transferred to revenue. The deferred contributions balance reported on the statement of financial position represents the amount of restricted contributions that are related to expenses of future periods.

(d) Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of Due from processors, producers and others, Due to producers, Accounts payable and Deferred contributions are estimated to approximate their book values.

(e) Due from Processors, Producers and Others

Section 26 (5) of Dairy Board regulations allows the Board to "net out all amounts payable among processors, producers, and the Dairy Board." As a result, amounts Due from processors, producers and others have been netted against amounts owing to processors, producers and others.

Note 3 Cash

Cash consists of deposits in the Consolidated Cash Investment Trust Fund (the "Fund") of the Province of Alberta. The Fund is managed by Alberta Treasury with the objective of providing competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital. The portfolio is composed of high quality short-term and mid-term fixed income securities with a maximum term to maturity of five years. Due to the short-term nature of the Fund investments, the carrying value approximates fair value.

Note 4 Due from Processors, Producers and Others

	2001	2000
Assessments and equalization	$1,533,524	$2,053,616
Department of Agriculture, Food and Rural Development	–	16,950
Others	25,570	5,013
	$1,559,094	$2,075,579

Any bad debts resulting from assessments and equalization amounts are recoverable by deduction from payments made by the Board to producers, processors and others under the terms of the National Milk Marketing Plan, the Western Milk Pooling Agreement, and other agreements (see Note 6).

Note 5 Capital Assets

		2001		2000
	Cost	Accumulated Amortization	Net	Net
Software development	$426,317	$154,763	$271,554	$229,277
Computer hardware & equipment	117,755	84,031	33,724	46,573
	$544,072	$238,794	$305,278	$275,850

Note 6 Deferred Contributions

Deferred contributions represent unspent contributions externally restricted for price equalization, milk promotion, Alberta Milk Producers Society membership and nutrition education purposes.

	2001	2000
Contributions received –		
Milk price equalization pool	$65,364,128	$55,293,700
Milk promotion	5,338,019	5,693,151
Alberta Milk Producers membership	855,052	785,459
Nutrition education	359,871	383,809
	71,917,070	62,156,119
Transferred to revenue –		
Milk price equalization pool	65,779,428	56,298,695
Milk promotion	5,334,056	5,700,800
Alberta Milk Producers membership	854,154	767,046
Nutrition education	359,605	384,324
	72,327,243	63,150,865
(Decrease) during the year	(410,173)	(994,746)
Deferred contributions at beginning of year	5,589,929	6,584,675
Deferred contributions at end of year	$ 5,179,756	$ 5,589,929
The balance consists of funds restricted for –		
Milk price equalization pool	$ 4,588,435	$ 5,003,735
Milk promotion	481,867	477,904
Alberta Milk Producers membership	76,969	76,071
Nutrition education	32,485	32,219
	$ 5,179,756	$ 5,589,929

Note 6 continued

Under Section 24 of the Dairy Board Regulation, the Board operates a price equalization pool whereby all revenues generated from the processing and sale of milk within Alberta are shared by all Alberta producers in accordance to their quota holdings.

Effective August 1, 1995, the Board entered into an arrangement with the signatories of the National Milk Marketing Plan. This arrangement provides for the pooling of revenues from sales of milk components in special classes of milk used to service domestic and external markets. The Special Class Pool is administered by the Canadian Dairy Commission (CDC). Based on each province's monthly special class sales, the CDC will either distribute revenue or require a contribution to the national revenue pool.

Effective March 1, 1997 four provinces, Alberta, British Columbia, Saskatchewan, and Manitoba, and the Canadian Dairy Commission entered into the Western Milk Pooling Agreement. The purpose of the agreement is to extend the pooling arrangements within each of the provinces so that all milk revenue is pooled among producers in all four provinces, as if the western provinces constituted a single market. Based on each province's monthly sales, the CDC will either distribute revenue or require a contribution to the Western Milk Pool.

The Board collects assessments for milk promotion, Alberta Milk Producers Society membership and nutrition education. Through agreement, funds are disbursed to Alberta Milk Producers and the Dairy Nutrition Council of Alberta to conduct the Board approved activities.

Note 7 Pensions

The Board participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension. The Board also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $49,965 for the year ending March 31, 2001 (2000 $44,884).

At December 31, 2000, the Management Employee Pension Plan reported a surplus of $104,658,000 (1999 $46,109,000) and the Public Service Pension Plan reported a surplus of $635,084,000 (1999 $517,020,000). At December 31, 2000, the Supplementary Retirement Plan for Public Service Managers had a surplus of $180,000 (1999 $33,000).

Note 8 Contingent Liability

A claim has been made against the Board by a processor. The claim of $1,500,000 related to potential losses to the processor as a result of an alleged breach of contract and exemplary damages. A defense and counterclaim has been filed on behalf of the Board by Alberta Justice. The case is under court hearing and the outcome cannot be predicted with reasonable certainty at this stage. The resulting loss, if any, from these claims cannot be determined.

Note 9 Salaries and benefits

	2001			2000
	Salaries[1]	Benefits and Allowances[2]	Total	Total
Chairman of the Board [3]	$122,250	$38,644	$160,894	$112,906
Board Members	9,979	-	9.979	17,272
Policy Committee Members	2,485	-	2,485	1,764
Managing Director	86,015	14,483	100,498	89,371

The presentation format has changed with prospective application from April 1, 2000. Under the new format the total salary and benefits relating to a position are disclosed. Comparatives have not been restated and show the salary and benefits of the last incumbent at March 31, 2000.

(1) Salaries include regular base pay, bonuses, honoraria and lump sum payments.

(2) Benefits and allowances include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plan, WCB premiums, professional memberships and tuition fees.

(3) Benefits and allowances include vacation payments to the Chairman of the Board of $25,133.

Note 10 Restrictions on Net Assets

The Board has internally restricted net assets on quota exchange transfers. These net assets will be used to cover any future quota exchange transaction deficiencies.

The last quota exchange transaction operated by the Board took place on July 22, 1999.

Note 11 Operating Lease Commitment

During the year, the Board entered into operating leases for certain office equipment. The minimum lease payments for the next five years are as follows:

2002	$7,800
2003	$7,300
2004	$1,500
2005	$Nil
2006	$Nil

Note 12 Net Change in Non-cash working Capital

Net change in non-cash working capital comprises:

	2001	2000
Due from processors, producers and others	$ 516,485	$1,463,298
Prepaid expenses	6,000	(1,000)
Due to producers	(17,150)	(173,450)
Accounts payable	118,869	59,780
Deferred contributions	(410,173)	(994,746)
	$ 214,031	$ 353,882

Note 13 Processor Security

The Board has on hand, letters of credit and bonds in the amount of $8,600,000. This amount secures the difference in value between processor billing and producer payment and the value of milk transferred between processors where settlement is made to the Board. The security minimizes Board exposure to risk as a result of processor non-payment to the equalization fund.

Note 14 Dairy Board Governance Review

An industry consultation process is currently underway, charged with moving responsibility from government to industry.

Note 15 Budget

The 2000 - 2001 budget was approved by the Board Members on June 13, 2000.

Note 16 Approval of Financial Statements

These financial statements were approved by the Board Members.

Agencies/Funds – continued

Alberta Dairy Control Board – Schedule to Financial Statements Allocated Costs for the Year Ended March 31, 2001

Schedule

	2001				2000
		Expenses incurred by others			
	Expenses	Accomodation Costs	Legal Services	Total Expenses	Total Expenses
Dairy Board operating expenses	$ 1,302,469	$53,603	$41,420	$ 1,397,492	$ 1,231,625
Restriced expenses	72,327,243	–	–	72,327,243	63,150,865
	$73,629,712	$53,603	$41,420	$73,724,735	$64,382,490

AUDITOR
GENERAL
Alberta

AUDITOR'S REPORT

**To the Minister of Agriculture, Food and Rural Development
and the Provincial Treasurer**

I have audited the statement of assets and fund equity of the Crop Reinsurance Fund of Alberta as at March 31, 2001 and the statement of revenue and fund equity for the year then ended. These financial statements are the responsibility of the management of the Fund. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Peter Valentine

Peter Valentine
FCA
Auditor General

Edmonton, Alberta
May 18, 2001

Statement of Assets and Fund Equity as at March 31, 2001

	2001	2000
Assets		
Due from Agriculture Financial Services Corporation	$53,518,335	$53,528,214
	$53,518,335	**$53,528,214**
Fund Equity		
Fund equity	$53,518,335	$53,528,214
	$53,518,335	**$53,528,214**

The accompanying notes are part of these financial statements.

Statement of Revenue and Fund Equity for the Year Ended March 31, 2001

	2001	2000
Revenue		
Adjustment to crop insurance premiums *(Note 5)*	$ (9,879)	$ (36,339)
Fund equity at beginning of year	53,528,214	53,564,553
Fund equity at end of year	**$53,518,335**	**$53,528,214**

The accompanying notes are part of these financial statements.

Notes to the Financial Statements March 31, 2001

Note 1 Authority

The Crop Reinsurance Fund of Alberta (the Fund) operates under the authority of the Agriculture Financial Services Act, Statutes of Alberta. The Fund is administered by the Provincial Treasurer in accordance with the terms of the federal-provincial agreement entered into under the Act.

Note 2 Purpose

Each year, based on a formula in the Canada/Alberta Crop Insurance Agreement, an agreed portion of crop insurance premiums, collected by Agriculture Financial Services Corporation on behalf of the Fund, is set aside in the Fund. In years when indemnities exceed funds available from the Crop Insurance Fund, these funds are used to pay unsatisfied indemnities. In the event the Fund is in a deficit position, the deficit will be funded through future years' premiums.

Note 3 Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with generally accepted accounting principles. The significant accounting policies are as follows:

(a) Revenues are reported on an accrual basis.

(b) The fair value of receivables is estimated to approximate their carrying amount.

(c) Any investment income, including interest, earned by the Fund is recorded as revenue of the Crop Insurance Program and Crop Insurance Fund in accordance with the terms of the Canada-Alberta Crop Insurance Agreement.

(d) A statement of changes in financial position is not provided as disclosure in the statement of assets and fund equity and the statement of revenues and fund equity is considered to be adequate.

Note 4 Due from Agriculture Financial Services Corporation

The Fund is invested by Agriculture Financial Services Corporation on behalf of the Provincial Treasurer.

Note 5 Adjustment to Crop Insurance Premiums

There were no contributions made to the Fund during the three years ended March 31, 2001 in accordance with the Canada-Alberta Crop Insurance Agreement. During the current year, there was a $9,879 adjustment of write-offs of prior year premiums.

Note 6 Preparation of Financial Statements

These financial statements were approved by management of Agriculture Financial Services Corporation.

Summary of Financial Information

Statement of Remissions, Compromises and Write-Offs for the Year Ended March 31, 2001

The following statement has been prepared pursuant to section 28 of the Financial Administration Act. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

Write-offs	
Departmental accounts receivable	$ 92,859
Agriculture Financial Services Corporation	469,816
Total remissions, compromises and write-offs	**$562,675**

Statement of Guarantees and Indemnities Given by Provincial Corporations for the Year Ended March 31, 2001

Program/Borrower	**Amount of Guarantee or Indemnity**	**Payments**	**Recoveries**
Agriculture Financial Services Corporation	$41,171,075	$298,666	$13,757
Alberta Opportunity Company	5,650,000	50,000	900
Total guarantees and indemnities given	**$46,821,075**	**$648,666**	**$14,657**

Government Organization Changes - 2000-2001

On March 15, 2001, the government announced new ministry structures. These changes caused a number of entities to move. The chart below illustrates these changes.

Ministry	Program/Entity Changes	Previous Location	New Location
Aboriginal Affairs and Northern Development (new)	• Aboriginal Affairs	International and Intergovernmental Relations	
	• Northern Alberta Development Council • Western Economic Partnership Agreement	Energy (formerly Resource Development)	
Agriculture, Food and Rural Development	• except Public Lands (includes land mgmt & grazing) • except Surface Rights and Land Compensation Board		Sustainable Resource Development (new)
Children's Services	• no change		
Community Development	• except seniors • except seniors' Housing • except Alberta Social Housing Corporation		Seniors (new)
	• except Alberta Order of Excellence		Executive Council
	• Persons with Developmental Disabilities Boards and Foundation • Michener Centre • Premier's Council on the Status of Persons with Disabilities	Health & Wellness	
	• Parks and Protected Areas	Environment	
Economic Development	• no change		
Energy (formerly Resource Development)	• except Forest Industry Development		Sustainable Resource Development (new)
	• except Northern Alberta Development Council • except Western Economic Partnership Agreement		Aboriginal Affairs and Northern Development (new)

Ministry	Program/Entity Changes	Previous Location	New Location
Environment	• except Parks and Protected Areas		Community Development
	• except Land and Forest Service • except Fisheries and Wildlife Management • except Natural Resources Conservation Board • except Environmental Protection & Enhancement Fund (except Forest Development Research program)		Sustainable Resource Development (new)
	• except small water capital		Transportation (new)
	• except Forest Development Research program (formerly part of EPEF)		Innovation & Science
Executive Council	• except Alberta Corporate Service Centre		Government Services
	• Alberta Order of Excellence	Community Development	
Finance (formerly part of Treasury)	• Financial Management and Planning	Treasury	Finance
	• except Alberta Securities Commission		Revenue
	• except Medical Research Endowment Fund		Revenue
	• except Heritage Savings Trust Fund		Revenue
	• except Heritage Scholarship Fund		Revenue
	• except Risk Management Fund		Revenue
Gaming	• no change		
Government Services	• Information Management and Privacy	Municipal Affairs	
	• Records Management	Innovation & Science	
	• Alberta Corporate Service Centre	Executive Council	

Government Organization Changes – 2000-2001 – continued

Ministry	Program/Entity Changes	Previous Location	New Location
Health and Wellness	• except Persons with Developmental Disabilities Boards and Foundation • except Michener Centre • except Premier's Council on the Status of Persons with Disabilities		Community Development
	• except Healthy Aging Partnership Initiative		Seniors (new)
Human Resources and Employment	• no change		
Infrastructure	• except National Infrastructure Program • except Roads and Public Transportation(including water infrastructure) • except Transportation Engineering(including highways) • except surplus land • except Transportation Safety Board		Transportation (new)
Innovation and Science	• except Records Management		Government Services
	• Forest Development Research Program (formerly part of EPEF)	Environment	
International and Intergovernmental Relations	• except Aboriginal Affairs		Aboriginal Affairs and Northern Development (new)
Justice	• except Policing and Correctional Services • except Victims of Crime Fund		Solicitor General (new)
Learning	• no change		
Municipal Affairs	• except Information Management and Privacy		Government Services

Government Organization Changes – 2000-2001 – continued

Ministry	Program/Entity Changes	Previous Location	New Location
Revenue (formerly part of Treasury)	• Tax and Revenue Administration • Investment Management Division • Alberta Securities Commission • Medical Research Endowment Fund • Heritage Savings Trust Fund • Risk Management Fund • Heritage Scholarship Fund	Treasury	Revenue (new)
Seniors (new)	• Seniors • Seniors' Housing Corporation • Alberta Social Housing Corporation	Community Development	
	• Healthy Aging Partnership Initiative	Health & Wellness	
Solicitor General (new)	• Policing and Correctional Services • Victims of Crime Fund	Justice	
Sustainable Resource Development (new)	• Public Lands(includes land management & grazing) • Surface Rights & Land Compensation Boards	Agriculture Food, and Rural Development	
	• Land and Forest Service • Fisheries and Wildlife Management • Natural Resources Conservation Board • Environmental Protection & Enhancement Fund (except Forest Development Research Program)	Environment	
	• Forest Industry Development	Energy (formerly Resource Development	
Transportation (new)	• Roads and Public Transportation (including water infrastructure) • Transportation Engineering (including highways) • Transportation Safety Board • surplus land • National Infrastructure Program	Infastructure	
	• small water capital	Environment	

Alphabetical List of Entities' Financial Information in Ministry 2000-2001 Annual Reports – Entities Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Agriculture Financial Services Corporation	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Dairy Control Board	Agriculture, Food and Rural Development
Alberta Energy and Utilities Board	Resource Development
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission, The	Treasury
Alberta Heritage Foundation for Medical Research Endowment Fund	Treasury
Alberta Heritage Savings Trust Fund	Treasury
Alberta Heritage Scholarship Fund	Treasury
Alberta Heritage Science and Engineering Research Endowment Fund	Treasury
Alberta Historical Resources Foundation, The	Community Development
Alberta Informatics Circle of Research Excellence Inc.	Innovation and Science
Alberta Insurance Council	Treasury
Alberta Municipal Financing Corporation	Treasury
Alberta Opportunity Company	Agriculture, Food and Rural Development
Alberta Pensions Administration Corporation	Treasury
Alberta Petroleum Marketing Commission	Resource Development
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Treasury
Alberta School Foundation Fund	Learning
Alberta Science and Research Authority	Innovation and Science
Alberta Securities Commission	Treasury
Alberta Social Housing Corporation	Community Development
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Treasury
ATB Investment Services Inc.	Treasury

Index of Government Agencies, Funds and Reporting Entities – continued

Ministry, Department, Fund or Agency	Ministry Annual Report
Child and Family Services Authorities:	Children's Services
Awasak Child and Family Services Authority	
Calgary Rocky View Child and Family Services Authority	
Child and Family Services Authority – Region 13	
Child and Family Services Authority – Region 14	
Diamond Willow Child and Family Services Authority	
Hearthstone Child and Family Services Authority	
Keystone Child and Family Services Authority	
Ma' Mowe Capital Region Child and Family Services Authority	
Metis Settlements Child and Family Services Authority	
Neegan Awas'sak Child and Family Services Authority	
Ribstone Child and Family Services Authority	
Sakaigun Asky Child and Family Services Authority	
Sakaw-Askiy Child and Family Services Authority	
Silver Birch Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Sun Country Child and Family Services Authority	
West Yellowhead Child and Family Services Authority	
Windsong Child and Family Services Authority	
Credit Union Deposit Guarantee Corporation	Treasury
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Environment	Environment

Index of Government Agencies, Funds and Reporting Entities - continued

Ministry, Department, Fund or Agency	Ministry Annual Report
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Justice	Justice
Department of Learning	Learning
Department of Resource Development	Resource Development
Department of Treasury	Treasury
Environmental Protection and Enhancement Fund	Environment
Gainers Inc.	Treasury
Government House Foundation, The	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
Lottery Fund	Gaming
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services
Ministry of Community Development	Community Development
Ministry of Economic Development	Economic Development
Ministry of Environment	Environment
Ministry of Executive Council	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment	Human Resources and Employment
Ministry of Infrastructure	Infrastructure
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations	International and Intergovernmental Relations
Ministry of Justice	Justice
Ministry of Learning	Learning
Ministry of Municipal Affairs	Municipal Affairs
Ministry of Resource Development	Resource Development
Ministry of Treasury	Treasury
N.A. Properties (1994) Ltd.	Treasury
Natural Resources Conservation Board	Environment

Index of Government Agencies, Funds and Reporting Entities - continued

Ministry, Department, Fund or Agency	Ministry Annual Report
Persons with Developmental Disabilities Community Boards	
Calgary Community Board	Health and Wellness
Central Community Board	Health and Wellness
Edmonton Community Board	Health and Wellness
Northeast Community Board	Health and Wellness
Northwest Community Board	Health and Wellness
South Community Board	Health and Wellness
Persons with Developmental Disabilities Foundation	Health and Wellness
Persons with Developmental Disabilities Michener Centre Facility Board	Health and Wellness
Persons with Developmental Disabilities Provincial Board	Health and Wellness
S C Financial Ltd.	Treasury
Supplementary Retirement Plan Reserve Fund	Treasury
Victims of Crime Fund	Justice
Wild Rose Foundation, The	Community Development

Alphabetical List of Entities' Financial Information in Ministry 2000-2001 Annual Reports – Entities Not Included in the Consolidated Government Reporting Entity

Fund or Agency	Ministry Annual Report
Alberta Cancer Board	Health and Wellness
Alberta Foundation for Health Research	Innovation and Science
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research	Treasury
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Learning
Improvement Districts' Trust Account	Municipal Affairs
Local Authorities Pension Plan	Treasury
Long-Term Disability Income Continuance Plan – Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan – Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Treasury
Provincial Judges and Masters in Chambers Pension Plan	Treasury
Public Post Secondary Institutions	Learning
Public Service Management (Closed Membership) Pension Plan	Treasury
Public Service Pension Plan	Treasury
Regional Health Authorities	Health and Wellness
School Boards	Learning
Special Areas Trust Account, The	Municipal Affairs
Special Forces Pension Plan	Treasury
Supplementary Retirement Plan for Public Service Managers	Treasury
Universities Academic Pension Plan	Treasury
Workers' Compensation Board	Human Resources and Employment

Acts Alberta Agriculture, Food and Rural Development is responsible for as at March 31, 2001

Agricultural Operation Practices Act
Alberta Opportunity Fund Act
Agricultural Pests Act
Agricultural Service Board Act
Agricultural Societies Act
Agriculture Financial Services Act
Animal Protection Act
Bee Act
Brand Act
Crop Liens Priorities Act
Crop Payments Act
Dairy Board Act
Dairy Industry Act
(Expropriation Act) transferred to Sustainable Resource Development
Farm Credit Stability Act (jointly with Alberta Treasury)
Farm Implement Act
Federal – Provincial Farm Assistance Act
Feeder Associations Guarantee Act
Fuel Tax Act (jointly with Alberta Treasury)
Fur Farms Act
Government Organization Act (jointly with other Ministries)
Horned Cattle Purchases Act
Irrigation Districts Act
Line Fence Act
Livery Stable Keepers Act
Livestock and Livestock Products Act
Livestock Diseases Act
Livestock Identification and Brand Inspection Act
Livestock Industry Diversification Act
Marketing of Agricultural Products Act
Meat Inspection Act
(Public Lands Act – parts: (1-2, 3-6)) transferred to Sustainable Resource Development
Soil Conservation Act
Stray Animals Act
(Surface Rights Act) transferred to Sustainable Resource Development
Universities Act (Section 52) (jointly with other Ministries)
Vegetable Sales (Alberta) Act
Weed Control Act
Wheat Board Money Trust Act
Women's Institute Act

Agricultural Statistics for Alberta

Economic Indicators

	1997^{r}	1998^{r}	1999^{p}
		\$ Millions	
Gross Domestic Product (GDP)* (1)			
All industries	87,223	87,960	91,318
Agri-food industries	4,220	4,312	4,518
Primary agriculture	2,875	2,905	3,077
Food and beverage manufacturing industries	1,345	1,407	1,441

	1999	2000
	Number of Persons	
Labor Market (2)		
Employment – all industries	1,553,300	1,588,200
Agri-food industries	101,500	88,700
Primary agriculture	82,500	69,300
Food and beverage manufacturing industries	19,000	19,400
Unemployment rate – all industries (per cent)	5.7%	5.0%
Primary agriculture (per cent)	1.7%	1.9%
Food and beverage manufacturing industries (per cent)	5.8%	5.9%

	1999^{r}	2000^{p}
	\$ Thousands	
Alberta's Farm Capital Value on July 1st (2)		
Land and buildings	33,378,616	34,727,111
Livestock and poultry	5,006,134	5,823,774
Implements and machinery	8,472,505	8,507,182
Total farm capital value	**46,857,255**	**49,058,067**

^{r} - revised
^{p} - preliminary
* GDP at Factor Cost in Constant (1992) Dollars
(1) Source: Alberta Treasury
(2) Source: Statistics Canada
Prepared by: Statistics and Data Development Unit, Alberta Agriculture, Food and Rural Development (AAFRD) (June 19, 2001)

Agricultural Statistics for Alberta – continued

Estimated Farm Cash Receipts for Alberta[1]

	1999[r]	2000[p]
	$ Thousands	
Wheat	969,059	912,417
Oats	21,533	18,635
Barley	174,267	202,733
Deferments	-149,200	-149,673
Liquidations	213,575	167,413
Rye	3,632	1,760
Flaxseed	5,323	5,333
Canola	608,211	529,159
Sugar beets	29,651	32,899
Potatoes	74,892	113,226
Vegetables	53,049	54,908
Floriculture and nursery	76,521	105,186
Other crops	258,525	259,226
Total crops (a)	2,339,038	**2,253,222**
Cattle and calves	2,969,875	3,338,767
Hogs	345,213	500,522
Sheep and lambs	12,843	15,126
Dairy products	327,063	318,454
Poultry	134,159	139,054
Eggs and hatcheries	37,219	38,425
Other livestock and products	90,074	97,491
Total livestock and livestock products (b)	3,916,446	**4,447,839**
Crop insurance payments	62,292	160,768
Income disaster assistance	82,106	158,527
Other program payments	74,682	391,363
Total program payments (c)	219,080	**710,658**
Total farm cash receipts (a+b+c)	**6,474,564**	**7,411,719**

[r] - revised
[p] - preliminary
(1) Source: Statistics Canada estimates (in conjunction with Alberta Agriculture, Food and Rural Development)
Prepared by: Statistics and Data Development Unit, AAFRD (June 19, 2001)

Agricultural Statistics for Alberta - continued

Farm Operating Expenses and Depreciation in Alberta [1][2]

	1999^r	2000^p
	$ Thousands	
Property taxes	104,975	107,075
Cash and share rent	289,707	282,424
Cash wages and room and board	482,404	516,655
Interest payments	488,715	533,946
Machinery fuel	316,722	427,575
Machinery repairs	448,073	461,515
Fertilizer	481,826	516,036
Pesticides	301,718	301,718
Crop and hail insurance	81,848	62,700
Commercial feed	719,638	731,296
Livestock and poultry purchases	941,442	1,020,571
Veterinary expenses and artificial insemination fees	126,247	127,383
Repairs to buildings and fences	138,081	135,319
Electricity and telephone	151,867	156,902
Heating fuel	49,446	58,514
Miscellaneous expenses	385,481	398,109
Operating expenses after rebates	5,508,190	**5,837,738**
Depreciation on buildings	174,889	181,955
Depreciation on machinery	823,541	823,823
Total depreciation	998,430	**1,005,778**
Total operating expenses and depreciation charges	**6,506,620**	**6,843,516**

^{r} - revised

^{p} - preliminary

[1] Source: Statistics Canada estimates (in conjunction with Alberta Agriculture, Food and Rural Development)

[2] Net of provincial or federal rebates.

Prepared by: Statistics and Data Development Unit, AAFRD (June 19, 2001)

Agricultural Statistics for Alberta - continued

Net Income of Alberta Farm Operators (1)

	1999[r]	2000[p]
	$ Thousands	
Total farm cash receipts	6,474,564	7,411,719
Total farm operating expenses after rebates	5,508,190	5,837,738
Net cash income	996,374	1,573,981
Income-in-kind	16,120	16,073
Depreciation charges	998,430	1,005,778
Realized net income	-15,936	584,276
Value of inventory change	418,644	-175,518
Total net income	**402,708**	**408,758**

Alberta's Food and Beverage Sector (2)

	1998[r]	1999[r]	2000[p]
		$ Thousands	
Estimated value of manufacturing shipments	7,374,503	8,081,094	9,186,258
Value added (3)	1,875,955	N/A	N/A
		Number	
Number of employees (3)	19,335	N/A	N/A
Number of establishments (3)	382	N/A	N/A

[r] - revised
[p] - preliminary
N/A - data not yet available
(1) Source: Statistics Canada estimates (in conjunction with Alberta Agriculture, Food and Rural Development)
(2) Source: Statistics Canada
(3) Data for 1999 and 2000 are not yet available
Prepared by: Statistics and Data Development Unit, AAFRD (June 19, 2001)

Agricultural Statistics for Alberta - continued

Alberta International Agri-Food Exports

	1999[r]	2000[p]
	Tonnes	
Export Quantities		
Wheat	4,737,414	5,695,642
Barley	496,342	676,858
Canola seed	1,210,306	1,298,566
Beef and veal (incl. edible offal)	295,800	323,322
Pork (incl. edible offal)	41,955	56,039
	Number of Head	
Live cattle (incl. purebred)	393,787	398,395
Live hogs (incl. purebred)	590,873	569,386
	$ Thousands	
Export Values		
Wheat	993,105	1,107,212
Barley	93,175	131,195
Canola seed	427,446	396,938
Beef and veal (incl. edible offal)	1,225,634	1,428,479
Pork (incl. edible offal)	106,387	177,200
Live cattle (incl. purebred)	461,723	510,579
Live hogs (incl. purebred)	72,705	92,402
Total international agri-food exports	**4,545,218**	**5,104,503**

[r] - revised

[p] - preliminary

(1) Source: Alberta Agriculture, Food and Rural Development

Prepared by: Statistics and Data Development Unit, AAFRD (June 19, 2001)